



The American Automobile Industry Crisis: Threats to Middle-Class Jobs, Wages, Health Care and Pensions

**UNITED STATES HOUSE OF REPRESENTATIVES
THE HONORABLE GEORGE MILLER
SENIOR DEMOCRATIC MEMBER
COMMITTEE ON EDUCATION AND THE WORKFORCE**

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Introduction to Summary Record

The following summary record is the culmination of the congressional e-hearing, “The American Automobile Industry in Crisis: Threats to Middle-Class Jobs, Wages, Health Care and Pensions” held from December 6, 2005 to January 1, 2006. Congressional sponsors included Representatives George Miller of California, Tim Ryan of Ohio, Dale Kildee of Michigan, Dennis Kucinich of Ohio, Sherrod Brown of Ohio, Brian Higgins of New York, John Conyers of Michigan, Rush Holt of New Jersey, Major Owens of New York, Michael Michaud of Maine, Emanuel Cleaver, II of Missouri, Ted Strickland of Ohio, Hilda L. Solis of California, Jan Schakowsky of Illinois, Fortney Pete Stark of California, Carolyn Kilpatrick of Michigan, and Marcy Kaptur of Ohio.

We aim to give working people and their communities a voice in this Congress. Using the Internet, e-hearings allow Americans and policy makers to come together in dialogues on critical issues neglected by this Congress. The House has failed to schedule any official hearings on the events at Delphi Corporation and General Motors (GM). The subsequent announcement by Ford to close 14 plants and cut 30,000 jobs reiterates the urgency of the automobile crisis. This e-hearing on the crisis of the American automobile industry is a step toward saving American jobs.

The crisis strikes at the heart of the American middle class. The auto industry helped build the modern American economy. The hard work and commitment of the auto workforce set the standard for American productivity and American employment. For decades, autoworkers have proven that, for working people, a decent standard of living and a share in the American Dream were possible. They fought for and earned family-supporting wages, affordable health care for those working and those retired, and a fair pension that guarantees a secure retirement in old age. These basic employment standards have long-served as a benchmark for other workers and companies.

However, recent events have shaken the American automobile industry. On October 8, 2005, Delphi Corporation, a key auto parts supplier, filed for bankruptcy. The company, with a 33,000-strong American workforce, has proposed wage cuts of up to 60 percent, threatened to terminate its pension plans and cut health benefits, and indicated that it may close some of its U.S. plants.

Then, on November 21, 2005, GM announced that it would close nine U.S. plants and cut its workforce by 30,000 people. Under threat by rising health care costs, slumping sales, increased competition, and a Republican pension bill which would freeze its pension plan and dramatically increase its liabilities, GM, some analysts warn, could also be headed to bankruptcy.

The stakes are very high. If these companies cut wages, benefits, and jobs, hundreds of thousands of workers and their families across the country will be devastated. The ripple effect of wage cuts and job losses will be felt throughout entire communities. And a blow of this magnitude to the auto workforce – a bulwark for the middle class way of life – threatens the employment standards for all working Americans. This is a crisis in urgent need of Congress’s attention.

The e-hearing solicited testimony from economists, state and local leaders, union leaders, and most importantly, workers and retirees of Delphi and GM. Executives of both Delphi and GM were also invited to participate in the discussion on the crisis. Some 1,200 workers and retirees from across the country responded in force to the call for testimony. The hard-working employees and retirees of Delphi and GM voiced their frustration of having given years of service to the public and to their company, only to lose promised benefits, fair wages, and job security. Nearly 700 worker statements have been posted to the e-hearing website <http://edworkforce.house.gov/democrats/autocrisis.html>. A sampling of these posted statements has been included in this summary record. All statements, posted or not, will be part of the Committee on Education and the Workforce Democratic Caucus's full record of the hearing. We will fight to make sure that the testimony is heard loud and clear by this Congress and our country.

I. Opening Statements

Opening Statement by Congressman George Miller, Ranking Democratic Member of the U.S. House Committee on Education and the Workforce

Hello, I'm Congressman George Miller.

I want to welcome you to this national e-hearing on "The American Automobile Industry in Crisis," sponsored by Democrats in the House of Representatives.

The purpose of this e-hearing is for Congress to hear from the employees and retirees of General Motors and Delphi.

Congress needs to know how recent announcements from those companies are affecting workers and their families, in terms of their job security, wages, health benefits, and retirement nest eggs.

After all, these employees and retirees have bills to pay – like mortgages, home heating bills, and college tuition payments.

Unfortunately, while this Congress has a track record of opening its doors to special interests and the well-connected, it rarely opens its doors to the nation's hardest-working Americans.

American workers have a right to be heard by the Congress, and the Congress has a responsibility to listen, learn, and act on behalf of American workers.

After we conclude this e-hearing, we will write a report based on what we learn that we will share with every member of Congress, with the news media, and with policymakers across the country.

We will include our report in the official Congressional Record, and we will make sure it is discussed on the floor of the House of Representatives.

I am pleased that over a dozen members of Congress, including Dale Kildee of Flint, Michigan; Tim Ryan, of Youngstown, Ohio; and Dennis Kucinich of Cleveland are joining me in co-sponsoring this hearing.

I am grateful that Governor Granholm of Michigan is participating.

And I greatly appreciate the testimony we have received from local elected officials, union leaders, and economists.

I have also invited executives from General Motors and Delphi to participate, and I would welcome their testimony.

Most of all, I am grateful to the employees and retirees of General Motors and Delphi who have submitted and will submit their own stories for the e-hearing.

Thank you.

Opening Statement by Congressman Dale E. Kildee (D-MI)

I am pleased to join my colleagues in this online Congressional e-hearing which will give us the opportunity to hear from Americans about how the crisis in the American automobile industry is affecting them and their families. Welcome to the workers across the country participating who are personally affected by this crisis. I look forward to hearing your stories.

The recent bankruptcy announcement by the Delphi Corporation and the announcement that General Motors will be closing a number of plants across the country have sent shockwaves through an already struggling domestic manufacturing sector, which has lost roughly 3 million jobs since 2001.

These losses will add to the 45 million people currently without health insurance and the nearly 13 percent of Americans living in poverty. This is unacceptable. Congress must act to help our fellow Americans who are hurting and this e-hearing is positive first step.

The clearest symptom of this crisis is the struggling domestic automobile industry. Over one million Americans rely directly on the auto industry for their livelihoods and millions more Americans are indirectly dependent. The 5th Congressional District of Michigan has been hit hard by job losses in the auto manufacturing sector. Recent news reports have indicated that Delphi may cut a number of jobs in the Flint area and I am deeply concerned about the roughly 11,000 Delphi workers in Flint, Saginaw and Bay City. Last month GM announced that they will be closing a number of plants across the country over the next few years.

Our nation sorely lacks any semblance of an industrial policy, and without this we face the structural downsizing of our entire economy. In 2004, the United States had a record \$162 billion deficit on goods traded with China and a \$617 billion trade deficit on goods and services worldwide. This year we face another record trade deficit. Eliminating tariffs and allowing companies to exploit foreign labor has destroyed entire American industries and has resulted in the highest American trade deficit ever, placing America at a huge economic disadvantage.

That is why I have sponsored H.R. 4407, legislation to place a moratorium on all free trade agreements negotiated by the United States. I have voted against every harmful, unbalanced trade agreement brought before Congress, including NAFTA, CAFTA, the General Agreements on Tariffs and Trade, normalizing permanent trade relations with China, and fast-track trade promotion authority, which prevents Congress from amending free trade agreements.

Our current domestic trade policy encourages the closing down of American factories and moving them overseas, usually to a country where wages are low and environmental standards are even lower. This race to the bottom has real consequences, and it's time to blow the whistle on unfair trade deals that make American jobs our leading export.

I look forward to hearing from Americans who are directly affected by these policies. The leadership of this Congress has failed to protect American workers while focusing on protecting the privileged few. This e-hearing provides an opportunity for these workers' stories to be heard.

Opening Statement by Congressman Major Owens (D-NY)

I am delighted to join my colleagues in this critically important e-hearing on the crisis in America's automobile industry. This crisis threatens the American dream for thousands of our hardest-working citizens and their families. Delphi, for example, has proposed severe cuts in hourly wages, benefits, and its pension plan. Delphi wants to slash the current hourly wages of its workers in half, from \$27 an hour to \$10-\$12.50 an hour. Such a cut would do more than squeeze the economic vantage point of these working families. It would squash their family budgets, sending them to a place where payment of monthly mortgage, heating, health care, and college bills falls into serious jeopardy. Delphi workers would then have to start choosing between buying food and going to the doctor.

What is happening to Delphi workers, who are UAW members, is happening to GM workers too. Mind you, these draconian wage, benefit, and pension cuts are NOT being proposed for the Delphi and GM executives. Just the opposite is being planned. Delphi wants to reward 600 of its executives with an additional \$400 million dollars. Letting auto industry executives get much richer at the same time that the middle class dream is being withdrawn from hard-working autoworkers is not simply unjust. It is un-American.

I look forward to reading the statements of Delphi and GM workers. It is high time that Congress pays attention to their plight and starts proposing solutions to ensure they continue to receive wages, benefits and pensions consonant with the American dream.

Opening Statement by Congressman Dennis Kucinich (D-OH)

Much of the talk surrounding the current crisis facing US automakers revolves around the toll legacy costs place on companies such as Ford and GM. These costs, the pensions of workers and healthcare benefits, are rightfully focused on in that their value to workers cannot be understated. A loss of these benefits would be a devastating blow for workers and their families. As we begin to look at solutions for the auto industry and their suppliers, it is imperative that we place a priority on truthfully evaluating the current situation and ensuring that workers are protected.

In evaluating legacy costs we must recognize some important truths: pensions do not belong to companies, they belong to workers. Dumping worker benefits on the PBGC should not be the solution to automakers' current woes. The PBGC's determined levels of yearly benefits do not provide adequate retirement security for workers. Dumping pension plans on the PBGC breaks a promise to workers, the promise that their retirement is secure.

Workers have earned the pensions they are owed. Companies cannot be allowed to hand off their worker's pension plans and place their workers in harms way. We must be clear that workers' retirement security is not a bargaining chip.

There is no doubt that the legacy costs of companies such as GM and Ford have grown over the many years they have been in business. But there are other issues that need attention. The first is US trade policy. The US has a massive current account deficit with the world, over \$580 billion,

a significant part of that with China. At over \$167 billion in 2004, the deficit with China has doubled in size since 2001. US auto companies and autoparts makers have invested in factories in China. Chinese manufacturing workers receive about 1/10th or less the wages of American workers. In addition, the Chinese currency continues to be manipulated by the government to be undervalued as measured against the US dollar. That also makes Chinese products cheaper than comparable American products. Together with the lower wages, the manipulated Chinese currency induces US producers to invest in China for export to the US. I am cosponsor of a bill, HR 1498, that would put a tariff on Chinese exports if the government there continues to subsidize low prices through currency manipulation.

But even if the Chinese stopped manipulating their currency, and it was allowed to float against the US dollar, unless the value of the US dollar fell from its artificially high levels, US-based manufacturers would not gain much advantage. Overlooked in many discussions of trade is the overvalued dollar, which makes the imported goods consumers buy cheap, but makes our exports too expensive for foreigners to buy. We need a dollar that allows our products to be competitively priced. The value of the US dollar should be adjusted to improve our competitiveness.

Finally, we must ensure that decisions being made are based on fact and not fiction. There is a myth put forward by the CEO of Delphi about the overpaid autoworker. He's claiming at \$65 per hour is a typical wage Delphi pays for blue collar labor. Problem is that Delphi doesn't pay \$65 per hour. Rather, this figure is the creation of Delphi's media consultants and it lumps together all of Delphi's labor costs and payments to unemployed and retired workers, but falsely allocates them only to Delphi's much smaller workforce. That inflates the average labor cost. Actual average wage for current Delphi workers is around \$23 per hour. So whatever Delphi's financial problems, one thing that is NOT a cause is workers earning \$65 per hour, and it is misleading of Delphi's CEO to say otherwise.

I thank my colleague, Congressman Miller for initiating this E-hearing on this timely and important topic. We have a responsibility to engage the nation in discussion of this topic and work together to find a resolution for this crisis. I look forward to reading the testimony of company and union officials, experts in the auto industry, and particularly workers and retirees on this problem.

Opening Statement by Congressman Rush Holt (D-NJ)

I am pleased to join Ranking Member George Miller and my other colleagues in participating in this online hearing on the crisis facing the automobile industry. I want to thank every citizen who submits testimony over the next few weeks. I am looking forward to reading it and learning from your personal experiences.

Just before the Thanksgiving holiday, thousands of General Motors employees were given a very unwelcome surprise; they learned that they will soon be unemployed or forced to move across the country in order to keep their job. This recent turn of events was not that unexpected considering General Motors financial difficulties. The company has lost about \$4.8 billion this

year alone in North America, and its November sales are down by 11 percent. Nevertheless, this was a devastating announcement to the thousands of Americans that will directly suffer from General Motors financial woes.

Recovering from the loss of one's job is a daunting challenge, and we need to do everything we can to ensure that the workers are not left without a leg to stand on. The employees of GM are highly skilled, experienced people who we, as a country, cannot afford to lose. We, as a country, have an interest in creating more opportunity so they can make a contribution to our economy and our society for as long as they are interested and able.

Obviously, the impact of these plant closings is only beginning to be felt, and will extend far beyond the individual employees. Entire communities that have been built around these plants will face great upheaval. Undoubtedly, many of these workers will be forced to leave these communities in order to find suitable employment. I know, because my district has faced a similar situation.

In 1998, seven years ago, the Delphi Interior and Lighting Systems plant in Ewing, New Jersey was shuttered. Nearly 1000 individuals lost their jobs. The plant had been a centerpiece in the economy of Ewing and Trenton. It was opened by General Motors in 1938, was converted to a plane manufacturer during World War II, and then returned to auto manufacturing after the war. At its peak in 1955, the plant employed 5,700 workers and produced a half a million parts per day. Just fifty years later, a vacant lot is all that remains of this once vibrant plant.

I have invited former workers and retirees of this plant to take advantage of this hearing to share their experiences during and after this plant closure. I am certain that their insight will be valuable not only to my colleagues, but also to the workers and communities that are now facing a similar situation.

Many of my constituents that survived the Delphi Interior and Lighting Systems plant closure, and probably all of the current workers of General Motors and Delphi, share a common concern about the viability of their pensions. Pension reform is an issue that this committee has discussed, but we have not yet found a solution that will provide millions of Americans with secure pensions. General Motors and Delphi expose the weaknesses of the Pension Protection Act (H.R. 2830). If this legislation passed in its current form, General Motors' pension system would be considered less than 60% funded. This would result in a freeze on the pension plan and dramatic increase in General Motors' liabilities to the plan. Other employee benefits will almost certainly decrease as General Motors tries to divert funds to cover its pension liabilities.

Delphi's situation is even more concerning, for if employees do not accept dramatic cuts in their wages and benefits, Delphi management has threatened not to honor its pension promises. This will leave the burden for covering these costs to the Pension Benefit Guarantee Corporation, which is already overburdened from other pension defaults, or to General Motors. Should this occur, it is almost certain that these retirees will not receive the pension benefits they have been promised and spent decades working for; H.R. 2830 will not relieve their suffering.

I would like to thank Representative Miller for conducting this hearing and providing a forum for thousands of workers to share their stories. I am confident that the testimonies provided to us during this hearing will highlight how immediate and threatening the crisis facing the automobile industry is. I hope that my colleagues will take these experiences to heart and begin to fight for the economic rights of millions of workers.

Opening Statement by Congressman Tim Ryan (D-OH)

I first want to thank Ranking Member George Miller for holding this e-hearing on the U.S. auto industry, specifically the bankruptcy of Delphi and the plant closings of General Motors. This is a very difficult time for American manufacturing and, in fact, Ford is reportedly preparing to close plants as well. But I believe workable solutions can and will be found if we continue to engage in the open dialogue that this e-hearing represents. Tens of thousands of American auto workers and retirees who have labored hard for U.S. manufacturing now face losing their jobs, taking drastic pay cuts, having their pensions dumped, and losing their health care. These workers and others impacted by the troubles in the American automotive industry deserve to have their voices heard, and I encourage my colleagues on both sides of the aisle to listen carefully to their concerns.

There are many issues that need to be addressed in order to bring U.S. manufacturing back to prominence, including our health care and pension systems, but I want take a moment to focus on our trade policy. There is no bigger indication that our trade policy is broken than the crisis now facing our auto industry.

The widespread effects of the Delphi bankruptcy are going to be felt around the country and will affect tens of thousands of workers and their families. It is time that Congress and the Bush Administration wake up to the harmful results of our current trade initiatives and renew our loyalty to the American worker by putting in place a pro-manufacturing trade policy.

Most of our trading partners are seeking free access to American markets but at the same time make every effort to insulate their own economies from American competition. We need to increase the access of our companies to foreign markets without allowing for a flood of cheap, subsidized imports in the U.S. There are solutions to these trade problems, but we seem to lack the political will to find and implement those solutions.

Our trade policy must also keep pace with the ever-expanding global economy. The growth of low wage countries with lax worker safety standards and little or no environmental protections shows the need for a comprehensive trade strategy. The notion of comparative advantage will not work unless labor, environmental, and financial laws are rigorously upheld.

The Commerce Department has recently released figures that show the largest trade deficit in the history of this country. The trade deficit in September was \$66.1 billion, over 10 percent higher than August, and we are on track to record a yearly trade deficit of over \$706 billion. Our trade deficit with China was over \$20 billion for September, and will reach approximately \$200 billion for the year.

We need to implement a trade policy that puts us on a level playing field with our trading partners by ensuring that our companies have the tools to compete and our competitors are playing fair.

My heart goes out to the workers in the auto industry, and I look forward to hearing their testimonies.

Thank you.

Opening Statement by Congressman Sherrod Brown (D-OH)

Thank you, Congressman Miller.

I commend you for scheduling today's e-hearing on the crisis in America's automotive industries. As a representative from Ohio – a state where one in six manufacturing jobs has vanished under President Bush – I know all too well how devastating the past few years have been for working American families.

And I share your concern about the future of traditional defined benefit pension plans. Delphi Corporation and United Airlines are emblematic of a disturbing trend among large American businesses – using federal bankruptcy protection as a tool to terminate the pension benefits guaranteed their workers.

Corporate managers whose business decisions allowed their companies to sink into financial distress are sometimes tempted to withhold legally-required pension plan funding requirements as a way to stretch scarce resources. When the company collapses nonetheless, they dump their pension plans - harming both the federal Pension Benefit Guaranty Corporation (PBGC) and workers who must then accept much-lower pension benefits.

House Republican leadership is advancing pension legislation (H.R. 2830) purported to strengthen plan solvency. But critics, including the AFL-CIO and the United Auto Workers (which represents Delphi workers), charge that it may do more harm than good. The bill:

- Imposes contribution requirements that are unsustainable and may actually encourage employers to drop their plans
- Punishes workers for managers' mistakes or misdeeds, by cutting off "shutdown" benefits and "freezing" workers' pension accruals

We ought instead to consider a different approach. We should link CEOs' retirement security to workers' retirement security. I have cosponsored Congressman George Miller's Pension Fairness and Full Disclosure Act (H.R. 2233), which:

- Prohibits corporate executives whose rank-and-file pension plans are under-funded from diverting funds to executive compensation programs;

- Prohibits corporate executives and boards whose companies have discharged pension obligations through bankruptcy from increasing their own retirement benefits;
- Requires executives making corporate bankruptcy filings to disclose the full value of executive compensation packages before asking a judge to let them to break their promises to workers.

We should also do what we can to keep defined benefit plans afloat, including:

- Give struggling companies responsible incentives to fully fund their pension plans;
- Require that corporate executives consider other alternatives before terminating their plans;
- Require executives to negotiate repayment schedules with the PBGC before filing for bankruptcy protection;
- Authorize PBGC to work with corporate managers to restore terminated pension plans after the company completes bankruptcy reorganization.

We should make employee benefits easier for companies to afford, by requiring drug companies to charge fair prices – an essential step toward reducing the skyrocketing cost of health care. And we should do more to strengthen other retirement security options for workers – whether covered by defined benefit plans or not:

- Encourage automatic enrollment in employer-sponsored defined contribution plans
- Strengthen the SAVER credit, by making it refundable
- Allow workers to direct part of their tax refund into a tax-preferred IRA
- Expand tax-preferred treatment of long term care insurance – long-term care is a large component of retirement expenditures for many elderly Americans

The solvency of defined benefit pension plans like those at United and Delphi poses a serious challenge. American workers deserve a serious response, not a poison pill disguised as reform. This e-hearing could be the beginning of that more progressive response.

Thank you for your leadership on this important issue.

Opening Statement by Congressman Emanuel Cleaver, II (D-MO)

Thank you for joining us and participating in this exciting E-Hearing. Together, Americans face tumultuous and electrifying times. As we move forward into the 21st Century, Congress is now able to use the American invention, the Internet, as a medium for individuals from all over our nation to gather and directly voice their opinions on legislation and discuss how current events directly impact daily life. Through the week of this E-Hearing, the American people can collectively lift their voices and speak directly to their U.S. Representative, others Members of Congress, and fellow citizens from across the country who have the same troubles and problems. I look forward to reading their testimony. This new medium is exciting to use because it opens new possibilities to directly connect legislators and individuals.

The subject of this week's e-hearing both angers and saddens me because our middle class has been put on the endangered species list! The recent bankruptcy of Delphi along with the announcements by General Motors Corp. and Ford Motor Co. of plant closings has made poignant the slow destruction of the American middle class. The current economy and a culture of outsourcing jobs are slowly killing American jobs that guarantee a livable wage and decent benefits. As thousands of workers are losing their jobs in mass layoffs—General Motors just announced 30,000 layoffs and Ford announced 7,500 layoffs—what is also eradicated are workers' benefits. The employees, who are the backbone of these companies, are in a Catch-22. First, employees and their families are taking pay cuts, giving up health care benefits and basic care, and their pension benefits are being pirated in order to keep facilities open. After the pay and benefit cuts, Americans workers are still losing their jobs because plants and facilities across the nation are being closed even after workers have given up their health care and retirement benefits.

There are now 1.4 million more unemployed workers than in January 2001. The cost of health insurance has risen nearly 60%, and yet over the same period of time, wages have increased only by 12%. Our federal minimum wage is an unlivable \$5.15 an hour. Delphi employees only make \$10.51 an hour, so a full-time worker would make \$20,231.75 before taxes. While workers are bearing the cuts, the executives are getting corporate golden parachutes and year-end bonuses.

I have seen first-hand the value a strong manufacturing base can have for a community. Surrounding my Congressional District are two auto plants, the Ford Claycomo Plant and the General Motors Fairfax Plant. While these plants are not in my district, a large percentage of their employees are my constituents. I remain committed to every middle class worker in the manufacturing industry. America was built by manufacturing. Together, we must work together to keep jobs, benefits, and programs that ensure health care and the ability to live instead of slicing away at workers' ability to achieve the American Dream.

Again, I welcome the chance to participate in this innovative forum where we can hear directly from those most affected by these ruinous cuts. I hope this e-hearing will help us find real solutions to help save the American middle class. Thank you for joining us.

Opening Statement by Congressman John Conyers (D-MI)

I would like to thank Representative George Miller, the ranking Democratic member of the Education and Workforce Committee, as well as Congressmen Kildee, Kucinich, and Tim Ryan for their efforts in conducting this e-hearing on the crisis in the American automobile industry.

In this e-hearing we will discuss not the economic problems of the American automotive sector, but rather the personal crises facing America's working families as a result of the domestic auto sector's decline. Plant closings and large-scale layoffs not only undermine the jobs, wages, pensions, and health care access of those who work in the auto industry, but also the social and economic fabric that holds many middle class communities together. It's not just the line-worker that is affected by these plant closings; it's also the barber, the waitress, the store clerk, the teacher, and the police officer. For the next week, we will be asking you, the people whose lives

are impacted by the changing economic fortunes of the automotive sector, to shed light on the personal crises you are facing every day.

Congress must step up to the present challenge facing the automotive sector by offering innovative solutions to help grow instead of shrink the number of decent-wage jobs in America, protect pensions, and provide affordable, accessible health care. For the purpose of this testimony I will focus my comments on health care and its costs, issues at the very heart of this crisis.

The skyrocketing cost of health insurance is a major factor contributing to the economic crisis in the automotive industry. General Motors, for example, is our country's largest private purchaser of health care coverage. The company expects to spend \$5.6 billion this year on health benefits for workers and retirees, translating to an added \$1,500 spent to build every car or truck. Its future obligations for employee and retiree health care costs are more than \$60 billion. The fact is, American automakers are at a disadvantage vis á vis their foreign competitors because automakers abroad have either the advantage of government-subsidized health care, or do not provide health care at all. Increasing health care costs translate into fewer jobs for American workers. In one recent case, Toyota built a plant in Ontario instead of in the U.S., citing Canada's less expensive national health care system as the primary reason. It is clear that any effective solution to the crisis in the American automotive sector must address the crisis in the American health insurance sector.

In 1968, United Automobile Workers president Walter Reuther offered a critique of America's health care system that is as true today as it was then: "We must first free ourselves of the illusion that we really have a health care system in America. What we have is a disorganized, disjointed, antiquated, obsolete non-system of healthcare. Consumers are being required to subsidize a non-system that fails to deal with their basic health care needs and the cost of that system is continuing to skyrocket." Sadly, and even after the passage of almost 40 years, the same critique still applies.

In 2003, I introduced H.R. 676, The U.S. National Health Insurance Act. The Act would provide every person in the United States with health care coverage through a publicly-financed national health insurance system. It is helpful to think about single-payer health insurance as "Medicare for All." Under a single payer system, Americans would still receive health care from private providers, but instead of the hodge-podge of private insurance companies that finance health care today, the federal government would become the "single payer" for health care. Through a single payer system, we could ensure that all Americans, regardless of income, employment or race, would receive high quality, affordable healthcare. This bill assures that everybody is included, and nobody is left out.

While corporate America has not yet fully endorsed the idea of a publicly financed, privately run health care system, businesses are beginning to recognize that such a system could work miracles. Besides not having to pay skyrocketing premiums to private health insurance companies, employers would no longer have to pay for medical care under worker's compensation, which in 2002 cost them more than \$38 billion. Auto insurance rates would fall for everyone, if the carriers were no longer liable for medial and hospital bills. The economic

ripple effects of fixing our non-system of health care financing would be enormous, easily ranging into the hundreds of billions.

It is clear that we in Congress need to start talking about real solutions to make our automobile industry, as well as our manufacturing sector more competitive. However, it is essential that hard-fought workers' rights and benefits be a part of that solution. I believe that this e-hearing will serve as a useful starting point to help inform this conversation on and I look forward to hearing your stories.

Opening Statement by Congressman John Dingell (D-MI)

I would like to thank my colleagues on the Committee on Education and the Workforce for holding this e-hearing. My good friend from Michigan, Dale Kildee, has been a steadfast supporter of workers and their families for many years and I thank him for his leadership.

This e-hearing begins on the heels of the Administration's statement of its intention to give our auto industry the cold shoulder. Just the other day, White House National Economic Council Director Allan Hubbard said about the auto industry:

"They don't need a bailout. All they need is time to restructure, and we're confident they'll be successful. Obviously, GM has some big challenges right now, primarily because they make automobiles that are less fuel-efficient. It is unfortunate that GM is going to be laying off [employees] at the same time Toyota and other companies are expanding in the U.S. The important thing is that the overall economy is strong."

I think Mr. Hubbard and his friends in the Administration must live in a very different reality than the rest of us. I've not heard anyone in the U.S. auto manufacturing sector ask for a bailout. We can all agree that manufacturing is changing rapidly and consequently the industry and its workforce must adapt – and so, too, must our government policies. The auto manufacturing sector can compete in a global marketplace – as long as it is given a level playing field. Our automakers aren't asking for a handout, but they do need the government to act as a referee and ensure they are able to compete fairly. When our competitors subsidize their exports through manipulative trade policies, the playing field is not level. When quotas, tariffs, and restrictive laws minimize the entry of American cars and trucks, the playing field is not level. When the United States follows WTO guidelines and the Europeans, Japanese, Chinese, and Koreans ignore them, the playing field is not level.

Henry Ford understood that his workers needed to make enough money to buy the cars they made. Unfortunately, Mr. Hubbard and the Administration don't seem to understand that need – or the need to even have an American company like Ford or GM making cars. That is a sad state of affairs, but should come as no shock to those who remember that Mr. Hubbard's predecessor, Gregory Mankiw, thought that burger flipping counted as manufacturing.

The notion that the industry does not need help is not only callous, it demonstrates a complete ignorance of the challenges faced by our auto manufacturing sector and the way they will affect the future of this country. As David Cole, the Director of the non-partisan Center for Automotive Research points out, many of the issues facing our auto manufacturers are the same as those that tore apart other sectors faced with tremendous legacy costs such as the domestic steel and airline industries.

Furthermore, for Hubbard to say that “all they need is time to restructure” is to completely brush aside the thousands of hard-working Americans who will be left out in the cold during the restructuring process. Delphi has announced that it will eliminate 24,000 jobs, GM 30,000 and now as many as 30,000 will likely be shed by Ford Motor Company. In the past month, we have learned that nearly *90,000 jobs* will be lost over the next few years. We cannot and should not turn our backs on these people – they are not only our constituents, but our friends and family.

We must develop policy that does not penalize companies for providing their workers with decent wages and benefits while rewarding those who pay low wages or whose healthcare and pension costs are subsidized by foreign governments. Right now, the deck is stacked against American autos – each vehicle they manufacture costs \$1500 in employee healthcare and pension benefits.

We need to address these issues. Nearly two years ago, the Democratic Members of our Michigan Congressional delegation sent the Administration a detailed set of [policy recommendations](#) for improving the playing field for our manufacturers. We are still waiting for a response. Governor Granholm recently met with the delegation to discuss proposals to rejuvenate our manufacturing base and train and prepare future generations to innovate and modernize American industry. Democrats and Republicans were able to agree on a number of changes in policy that would give our automakers a more level playing field on which to compete.

I don't expect to agree with my colleagues on either side of the aisle all the time. Michigan's Democrats and Republicans will certainly have different ideas from time to time about how to address particular issues, such as the valuation of China's currency or the opening of Japan's auto market. But the most important thing is that we cooperate and address matters which affect all of our constituencies. What we need now is for the Executive Branch to engage in this matter – whether with it's with us, or directly with industry leaders, the United Auto Workers and the millions of American citizens they represent. What we don't need is a dismissal by government-paid academics who talk about bailouts and burgers rather than the real issues affecting U.S. auto manufacturers, their workers and their retirees.

Many of my constituents in Michigan's 15th Congressional District have contacted me to tell their personal stories and I am pleased that this e-hearing will give them the opportunity to make their voices heard across the nation. I hope that this e-hearing will draw attention to the fact that “30,000 jobs” means “30,000 people” – husbands and wives, children and grandchildren, families who have worked on the shop floor for generations. Their many years of dedicated service have made the American economy the most powerful in the world.

I thank the Committee again for holding this forum and for their hard work on behalf of working families.

Opening Statement by Congressman Bart Gordon (D-TN)

I would like to thank Ranking Member Miller and my Democratic colleagues for convening this e-hearing to address critical issues in our automobile and manufacturing industries.

Last month, General Motors announced that it will close nine plants and lay off 30,000 people over the next three years. Just outside my district, the company will shut down production of the Saturn Ion at its Spring Hill, Tennessee facility next year. As many as 1,200 to 1,500 workers in Middle Tennessee could be directly affected, and in addition, these reductions will have a negative ripple effect on automotive parts and services manufacturers, retail stores, even the housing market in our region. Communities around the country are facing similar fates.

Manufacturing jobs have long been a cornerstone of the American economy. And, manufacturing industries have helped ensure that workers can find jobs close to home and earn wages to support their families.

Since the beginning of the Bush Administration, our country has lost 2.8 million manufacturing jobs, including tens of thousands in Tennessee. Almost every week I hear from constituents whose jobs are being moved overseas, who are worried that plants providing the last good jobs in the community are shutting down, or who have been out of work for months or even years.

Although Congress cannot direct private business to locate where people need jobs, it can encourage job development. As Democrats, we need to continue pushing an agenda to close tax loopholes that currently allow companies that locate overseas to avoid paying corporate taxes, require a review of trade agreements that have resulted in jobs moving to other countries, and utilize programs like the Manufacturing Extension Partnership (MEP) to ensure that manufacturers have access to the knowledge and skills they need to compete globally.

I look forward to hearing from auto workers, businesses, state and local officials, and other experts about what can be done to address these issues. We must continue working together to boost the manufacturing sector, keep jobs in our country, and ensure workers receive the wages and benefits they have been promised.

Opening Statement by Congressman Brian Higgins (D-NY)

I want to thank Ranking Member Miller and the Committee on Education and the Workforce Democrats for their leadership in addressing the current auto industry crisis. I appreciate the opportunity to co-sponsor this hearing on a subject that is so important to the Western New York communities I represent.

The future of the American manufacturing sector is on the precipice, and few communities have suffered more from this development than Erie and Chautauqua Counties, New York. In the Buffalo of my youth, any person willing to work hard enough could make a decent living for his family at one of the great industrial plants throughout the region. It is no secret that those days are gone. Factories have closed, health care benefits have been dropped, wages have fallen and pensions are in trouble. Competition for remaining jobs is intense and those lucky enough to have a job live in constant fear that it will be outsourced or that their wages, health insurance or pension benefits will be cut.

One of the last bastions of good-paying manufacturing jobs in Western New York is the auto industry. Over nine thousand workers in my congressional district are employed at the Delphi plant in Lockport, the American Axle facilities which supply General Motors in Tonawanda and Cheektowaga, and the Ford Stamping Plant in Woodlawn. The auto industry has thrived in Western New York because our region boasts a highly skilled, well-educated workforce with a longstanding commitment to worker training, a proud history of positive, cooperative relations between workers and management and perhaps most importantly, a unique ability to provide low cost electricity to power large industry.

Yet today the auto industry workers I meet with and their families are concerned. For them, bankruptcies, mass layoffs and wage concessions do not exist solely in news reports; they very directly threaten their economic well-being.

It is my hope that this hearing gives a voice to workers in Western New York and throughout America, so that we can document the impact of recent industry developments on the middle class families that they most directly threaten. I look forward to using the testimony we collect to fight with my colleagues for better trade agreements, expanded health insurance coverage, stronger pension guarantees and more readily available worker training.

If we are to return Western New York or any of the great American manufacturing centers to their former economic prosperity, we are going to have to start by securing the auto industry jobs that in many cases hold together the middle class in these communities. I urge affected workers to participate in this important hearing. Together, we can win the fight to reverse the trend and save these crucial jobs.

Opening Statement by Congresswoman Marcy Kaptur (D-OH)

I want to thank George Miller for taking the initiative to provide this innovative format for discussing these devastating trends in the U.S. auto industry, including recent bankruptcy proceedings for Delphi, the largest U.S. automotive parts manufacturer, as well as layoffs at other major auto-producers, GM and Ford. Automotive manufacturing is critical to our nation's economy and of vital importance to many working families in our communities. I am pleased to join my colleagues in this dialogue.

So many related concerns emanate from the auto industry's condition -- from a pension system which threatens the financial security of retirees, to a bankrupt trade policy that encourages the shipping out of U.S. jobs.

Workers who dedicate years of service to a company should be able to count on a decent retirement and a measure of economic security. Yet in this time when more and more companies are reducing or dropping their defined benefit pension plans and retiree health coverage, worker earned benefits are often not guaranteed. This Congress must step up with meaningful pension reform to help secure pension plans and encourage companies to continue providing them.

The chair of the relevant committee in the House, the Education and Workforce committee, has offered legislation. Unfortunately, it is not the solution that is needed. It pays lip service to pension reform for workers, but continues to protect big corporate interests and executives at the expense of workers. It is my sincere hope that this Congress will produce legislation that is truly needed by America and by America's workers.

Private pension plans are supposed to be one leg of a three-legged stool of retirement security for all American workers, along with Social Security and private savings. However, we live in an era when personal savings are virtually nonexistent, and Social Security's future is menaced by the specter of Republican plans to privatize Social Security. Therefore, workers have to try even harder to shore up increasingly fragile private pension plans.

Unfortunately, the Republican leaders in this Congress want to pass legislation which would actually further destabilize and underfund private pension plans. How in the world can they defend that approach?

The current Pension Benefit Guaranty Corporation has a several billion dollar shortfall already. Delphi's current bankruptcy proceedings will further drain resources from that program. Frankly, this Congress should have legislation passed that would disallow the bankruptcy system to be used by companies to abdicate their pension and health responsibilities.

However, given the recent flood of companies that have experienced pension problems or breakdowns, the Pension Benefit Guaranty Corporation is no longer as fail-safe as it used to be. It had a \$23 billion deficit last year, and since the time of President Clinton has continued to fall from a position of surplus to greater and greater deficit. The chairman of the committee, Congressman Boehner, dubs his plan the Pension Protection Plan; but it does nothing to prevent runaway pension plan terminations, nothing to provide meaningful disclosure and transparency, or ensure fairness to workers, while rewarding corporate executives. And it does nothing to adequately protect the workers pension plans.

True pension reform legislation would repeal special protections for executives where they can receive these so-called golden parachutes while employees suffer deep cuts in their promised benefits.

At the root of many of these troubles are trade agreements like NAFTA and CAFTA, which have propelled the shipping out of our jobs to foreign countries and abdicates the benefit structure that created our middle class. These lopsided agreements are cashing out America. When these agreements were debated, we said jobs would go south and they have. GM is now Mexico's largest employer outside of the government and its oil industry. It's no surprise that now Delphi

follows their biggest buyer. This trend is devastating to workers' livelihoods and destructive to America's future, as our nation's real wealth is consumed by Wall Street and its henchmen that Franklin Roosevelt called the "malefactors of great wealth."

I have spoken with Delphi management and am doing all one Member can to keep good jobs and benefits here in the U.S.A., but we need a majority of Members dedicated to this. I have spoken with UAW President Ron Gettelfinger in support of a resolution for Delphi workers. And throughout my career in Washington I have championed the fight to stop trade deals that outsource U.S. jobs. I have recently introduced a bill, The Balancing Trade Act of 2005, which will demand action when our nation faces outrageous trade deficits like the \$600 billion deficit we face today – a deficit that represents cashing out millions of U.S. jobs.

America can do much better than this. We ought to deep six the Boehner bill and allow the workers of this country to be able to receive the deferred compensation that was part of the contract that they signed when they went to work for America's largest corporations. We must also change course from our current failed trade policy to address the growing trade deficit. Now more than ever, American citizens must take a stand.

Citizens must make the personal political. We must stand for the rights of working people to bargain collectively. We must stand for a forty hour work week, with time and a half for over time. We must stand for a living wage for workers with no other way to lift themselves out of poverty. We must stand for secure jobs with pensions and health benefits that can't be taken away. We must stand for trade agreements that create good jobs in America and lift the poor of the world out of enslavement and starvation wages. We must stand for the freedom of the many, not just the few. We must stand together so that all may stand tall.

Opening Statement by Congresswoman Carolyn C. Kilpatrick (D-MI)

I want to thank you and your fellow Democrats of the Education and Workforce Committee for organizing this E-Hearing on the crisis in the American automobile industry. This issue affects many communities across the United States. One in every 7 jobs in America is related to the auto industry, making it a vital sector in the nation's economy.

I have the privilege of representing most of the City of Detroit, the capital of the global automobile industry. My Congressional District includes the world headquarters of General Motors. Although there are no Delphi plants in my district, I have the honor of representing many Delphi workers who reside in Michigan's 13th Congressional District.

The problems facing General Motors, Delphi, Ford and Visteon jeopardize the social contract that exists among a key sector of our economy, autoworkers and local communities. The social contract that evolved in the 20th Century was built around collectively bargained wages, pension, health care and education benefits. Now, at the turn of the 21st Century, we find the nation's auto, steel and airlines industries being brought down by the legacy costs of that social contract.

Michigan leads the country in automobile manufacturing. The benefits and wages that were established by the auto industry became a bedrock of the American middle class. As the auto industry downsizes, so do Michigan's working families and communities. If the trend continues, the U.S. standard of living will be in competition with global labor markets where it will sink to the lowest common denominator. Do we want an employer base that follows the Wal-Mart model where many of their employees are handed Medicaid applications instead of health insurance forms and spread their employee health care costs for the American taxpayer to finance?

Many autoworkers have survived through past periods of job cutbacks, industry restructuring, and plant shutdowns to approach pensioner status. They now fear that their future retirement will be imperiled because the industry can no longer honor the benefits packages that were negotiated. They are in the process of redesigning their retirement plans with the expectation that retirement benefits will be less than originally promised.

The crisis that is gripping the auto, steel and airline industries calls for significant rethinking of how this nation addresses major changes in the global marketplace. The lesson of the Great Depression is that an unchecked marketplace can leave behind millions of working Americans through no fault of their own. The New Deal recognized that government had a role to soften the rough economic edges of the free enterprise system and provided a social safety net for working families who might otherwise fall through the cracks. Now, in the 21st Century, we need a new global social contract that will help millions of working Americans to meet the challenges of the new global economy.

It is my hope that this hearing will provide the means by which we can come up with some specific proposals for structuring a new social contract that addresses major changes in the global marketplace and strengthen the economic security of the American workforce and livelihoods of our manufacturing communities. Again, I thank Rep. Miller for taking this initiative to receive the input of many stakeholders on this complex problem.

Opening Statement by Congressman Sander Levin (D-MI)

The United States has lost 3 million manufacturing jobs since 2001. As we know first hand in Michigan, manufacturing is the engine of economic growth for not only our state, but for the entire nation.

Globalization brings with it significant economic changes for our State and nation and presents both challenges and opportunities for U.S. businesses and workers. Some suggest trying to block globalization, and others suggest simply getting out of its way and allowing its path to take us where it may.

I say we must actively shape the terms of globalization to advance the interests of U.S. businesses and workers. The federal government is not without the tools, it is currently without the will to take the concrete action necessary to address the manufacturing crisis facing our nation.

The following are examples of the concrete actions we have repeatedly called on the White House and Congressional Republicans to take:

Respond to skyrocketing health care costs and level the playing field for our manufacturing companies, many of which compete with companies headquartered in countries with government-subsidized health care. Our domestic automakers now spend as much on employee and retiree health care as they spend on steel. To address this problem, we need strong bipartisan action to reduce costs, better pool risk, and make sure everyone pays their fair share. We should also take real action to lower the unreasonably high costs of prescription drugs.

Correct dangerous proposals by President Bush and House Republicans that would put workers' guaranteed retirement benefits at risk resulting in fewer defined benefit pension plans. The current proposals would force even some well-funded pension plans to make large, immediate contributions, diverting funds from needed product development and worker wages. And in poorly funded plans, the changes would make workers pay the price by freezing their benefit accruals or forcing their plans to terminate.

Level the global playing field for American workers and businesses with a more activist trade policy. Trade agreements must advance the interests of U.S. manufacturing interests not negatively impact them. For example, the U.S. must not negotiate away the pick-up truck tariff in the U.S.-Thailand free trade agreement so that Japan can use Thailand as a platform for the export of pick-ups to the U.S. The federal government must also insist that U.S. trading partners play by the rules by implementing stronger enforcement of our current trade laws and a taking a more aggressive approach in identifying cases of unfair trade practices and taking action in the World Trade Organization.

In terms of opening markets, the federal government should ensure that non-tariff barriers (NTBs) are treated on par with tariff reductions. For the automotive industry in particular, NTBs pose a far greater impediment to market access than tariffs. The federal government should also ensure that our trading partners end currency manipulation, which acts as a subsidy to their products and a barrier to U.S. manufacturers efforts to compete fairly. Instead of taking action, the Administration has rejected for the second time a section 301 petition filed by members of Congress seeking an end to China's currency manipulation. The Administration has also failed – twice this year – to list China as a country that manipulates its currency in the Treasury Department's biannual exchange rate report. Taking immediate action in these areas will help strengthen U.S. manufacturing companies by opening markets overseas for U.S. products and protecting manufacturers at home from unfair trading practices.

Support strong partnerships with states, businesses and employees which promote research and development, future technologies, and a trained workforce. An obvious place to begin is to make the existing research and development tax credit permanent. The R&D tax credit provides companies with an effective and proven incentive to maintain and increase investment in U.S. based research. Congress also needs to fine-tune the credit to ensure that large companies, including U.S. automakers that perform significant amounts of R&D in the United States can take full advantage of the research credit.

It is also important that the federal government work in partnership with industry to invest in technologies that both support the manufacturing jobs of today and create the manufacturing jobs of the future. Whether through tax incentives like the hybrid and advanced lean-burn technology vehicle tax credits, or through government/industry partnerships like the Advanced Technology Program and the FreedomCAR initiative, the United States needs to have a cohesive strategy on advanced technology.

Opening Statement by Congressman Frank Pallone (D-NJ)

I appreciate the opportunity to participate in this online hearing and thank Representative George Miller for scheduling this hearing. I am very concerned about the current state of the automotive industry in our country.

The real issue is major U.S. corporations continued assault on the American workforce. Free trade has opened up new labor markets in underdeveloped countries. Major American corporations have moved their manufacturing jobs overseas in an effort to exploit cheap labor and weak environmental standards. This effort has cost Americans close to three million manufacturing jobs under the current administration.

I am specifically troubled by the bankruptcy of Delphi. In my district there are about 400 Communications Workers of America (CWA) members working at a Delphi plant in New Brunswick, NJ. The Delphi plant represents an important piece to the local economy, employing highly skilled workers with years of experience. Delphi's recent proposal of drastic cuts to wages, pensions, and health care were completely unacceptable.

With Delphi's recent bankruptcy, there is a good chance that they will default on their pension promises and leave a major portion of their liability to the Pension Benefit Guarantee Corporation (PBGC), leading to cuts in pension payouts and a loss of health care coverage. It is important to note that these workers are not white-collar desk workers; they are dealing with hazardous material and stressing their bodies everyday.

We cannot sit idly by while these companies default on their promises and dump their pension responsibilities on the PBGC. This represents a terrible precedent of allowing companies in bad financial situations to dump their pension liabilities on the federal taxpayers while giving golden parachutes to company executives. This practice must be stopped immediately.

Delphi is just one example of a corporation defaulting on their obligations. That is why there have been discussions in Congress to pass a comprehensive pension reform bill. The Republican leadership's solution, H.R. 2830, is currently unacceptable. It will accelerate the unraveling of pension plans by allowing companies to skip out on over \$75 billion in contributions over the next 10 years, increasing the PBGC's red ink by billions of dollars. At the same time, Republicans are refusing to stop companies from dumping their unwanted pension promises onto the PBGC at the expense of taxpayers, employees, and other employers. If these and other issues are not addressed, I will continue to oppose the bill.

I encourage current and former employees of the Delphi plant in New Brunswick, NJ and others facing similar circumstances to share their thoughts on the current situation. I feel that this online hearing can be a useful resource guide for many of the workers that are dealing with the auto crisis in America.

Again I thank Representative Miller for organizing this important hearing and I look forward to hearing from all who participate.

Opening Statement by Congresswoman Hilda Solis (D-CA)

I want to thank Ranking Member George Miller for organizing this important e-hearing about the recent layoffs at General Motors, the world's biggest car manufacturer, and bankruptcy of Delphi Corporation, our nation's largest auto parts manufacturer. I am pleased that the Democrats on the Education and Workforce Committee are bring much needed attention to the mounting economic problems in the U.S. auto industry that have devastating impacts on our nation's labor workforce and the economic security of working families.

The automotive industry's importance to the United States economy cannot be underestimated. The auto industry, manufacturing motor vehicles, equipment and parts, employs over one million American workers. In my state of California alone, more than 20,000 workers are employed by the auto industry. The gross output in the auto manufacturing industry in 2004 was \$424 billion, the largest output of any durable goods measured by the Department of Commerce.

In the past months, the automotive industry and its workers have seen increasingly hard times, with the announcement of 30,000 layoffs at General Motors and the bankruptcy filing of Delphi Corporation. The announcements of layoffs and bankruptcy affect more than 150,000 United Auto Workers (UAW)-affiliated workers at both Delphi and General Motors. Even though the Delphi workers have negotiated salaries, benefits and pensions on which their families rely, the company has proposed cutting UAW hourly wages by sixty percent.

At the same time that Delphi is proposing to slash wages of their skilled workers, the company is proposing \$400 million in compensation for some 600 executives in their corporation. That's more than \$600,000 per executive! The American people and Congress cannot stand for such outrageous injustices at the expense of working families. I support UAW's effort to block this ill-conceived plan and hope that Delphi will consider putting some of that money towards all of its employees.

In addition, the pensions of the hardworking employees at GM and Delphi and several other large corporations, such as United Airlines, are in serious trouble. If the unions stand strong against Delphi's threats of unacceptable cuts to wages and benefits, their CEO has stated that the company will not pay current and future pensions. Instead, the federal Pension Benefit Guarantee Corporation and GM, which is already in financial trouble, will be left to foot the bill of the more than 85,000 current and retired Delphi employees.

We have learned from the collapses of the steel and airline industries that Congress must take an active role in order to support working families during an economic crisis in their industry. We also know that in that through the years, the labor movement has sought to protect working families in times of corporate crisis. Now is the time for Members to use this opportunity to listen to workers and understand their situation and how best we can help them. I look forward to reading the testimonies of workers and other key players in the automotive industry, and again thank you to Ranking Member Miller and his staff for their hard work and dedication the health of our economy and working families.

Opening Statement by Congressman Pete Stark (D-CA)

I would like to thank Congressman Miller for holding this e-hearing on “The American Automobile Industry in Crisis.” Learning the views of workers and affected parties across the country will help us make positive policy changes that can help bring the American auto industry back from the brink of extinction.

I am fortunate that my district is home to one of the most innovative auto manufacturing plants in the country. The New United Motor Manufacturing, Inc. (NUMMI) in Fremont, California is a unique collaboration between General Motors and Toyota.

NUMMI has a strong and open relationship with the United Auto Workers (UAW) which means 4,700 good paying jobs, with great health and retirement benefits for my constituents. Another 800 well-paid salaried workers also benefit from this collaboration. Still thousands more are employed by various parts suppliers in and around my district.

While the challenges in my district may be different from those at auto-plants and suppliers around the country, I think much can be learned from the success at NUMMI. I urge people in my district to provide testimony to this e-hearing on how and why the joint-venture between Toyota and GM has been so successful.

I look forward to reviewing the testimony of all the workers and stakeholders concerned about the future of the American auto industry. I also hope this e-hearing provides some spark to move forward on the Pension Fairness Act authored by Mr. Miller of which I am an original cosponsor. Among other important pension protections, this bill would keep companies like Delphi from eliminating workers pensions while providing huge golden parachutes to wealthy executives.

Again, I’m so pleased to join my colleagues as a co-sponsor of this event. Thanks in advance to all the GM and Delphi employees and others around the country who will participate in this important information gathering exercise.

Opening Statement by Congressman Ted Strickland (D-OH)

As the Delphi bankruptcy proceedings continue, I am thankful to have this special opportunity to interact with you today. This unique e-hearing forum allows all the affected organizations,

unions, elected officials, and individual workers with a stake in the matter to overcome geographical and logistical barriers in order to communicate on this issue on an ongoing basis.

I would like to welcome all of the Delphi and GM employees who are able to participate. Please know that your input is vital, and as Congress prepares to consider pension legislation in the future, your continued contributions will be invaluable. Together, our voices cannot be silenced.

As many Americans are too painfully aware, when a large U.S. company files for bankruptcy, our whole nation is affected. Delphi's situation is no exception; the ramifications of its bankruptcy case will reverberate throughout the U.S. economy. Delphi's bankruptcy affects not only the nearly 33,000 unionized hourly workers whose salaries and benefits could be reduced severely, but also the countless other manufacturers that supply parts to Delphi.

Recent news reports indicate that the liability of the Delphi pension plan may reach \$10.8 billion. Unfortunately, the Pension Benefit Guarantee Corporation, the nation's pension insurance organization, would only be able to cover \$4.1 billion – less than half of the total amount needed. Although General Motors has an existing agreement with the unions to guarantee full pensions to Delphi retirees, GM is facing its own financial difficulties. This year, the company lost around \$4.8 billion in North America, its November sales are down, and it is planning to cease operations at approximately 9 plants domestically.

It's easy to wonder how fundamental Delphi's troubles really are. Recently, Delphi proposed cutting wages by more than 60 percent; and, at the same time, they offered a plan to reward 600 executives with more than \$400 million in compensation. Punishing thousands of workers who have dedicated their careers to Delphi is a moral outrage. I stand firmly with the unions in their opposition to this unjust maneuver.

Americans who have worked hard pursuing the American Dream should not be cheated out of the pensions and benefits they were promised and have earned. A secure retirement must be the rule, not the exception. No longer can American workers lose their pensions because of reckless outsourcing policies and unfair trade agreements.

The livelihoods of tens of thousands of former and current Delphi employees are at stake right now. Please know that I will fight endlessly for them and for all Delphi and GM workers and retirees.

II. Testimony

Testimony of Michigan Governor Jennifer Granholm

I am pleased to have the opportunity to offer comments on behalf of the State of Michigan on an issue of great importance to my state and to working families across the country. In particular, I want to thank Congressman Kildee for helping to organize this unique legislative forum and bringing it to my attention. In our state, virtually every community is impacted by our domestic automobile industry, and there are thousands of workers who will be directly affected by enormous changes in our global manufacturing marketplace. In Michigan, every citizen will feel the effects of this transition in some way.

The combination of Delphi's decision to file for bankruptcy and General Motors' announcement of plant closings and layoffs has far-reaching implications for Michigan and many other states who proudly house our nation's auto manufacturers. Delphi alone counts 15,000 Michigan employees in its base and GM's recent announcement means that thousands of additional jobs – direct and indirect – are at risk. All told, our workers, retirees, hundreds of auto suppliers, and the automakers themselves could lose billions of dollars in wages, benefits, and profits in the next few years.

Following Delphi's bankruptcy announcement, last month I met with Michigan's Congressional Delegation to outline several federal actions that would keep good-paying American jobs and assure a level playing field so our nation's manufacturers can fairly compete. Our meeting yielded a bipartisan consensus on several actions to help our domestic manufacturers. These actions include:

- Enforcing our trade laws, compelling other countries to end currency manipulation and strengthening intellectual property protections.
- Relieving American manufacturers of the uncompetitive burden of high health care costs by creating a catastrophic insurance pool/reinsurance model and making health care information technology a priority.
- Ensuring that pension promises made to workers are kept by reducing administrative burdens on employers and treating our manufacturing sector fairly.

I have also asked President Bush to meet with automotive sector business and labor leaders, as well as with senior elected officials, to implement federal policies that bolster this vital sector of the national economy. I hoped that the President would respond by offering to work with our automakers, their suppliers and millions of workers. Instead, on December 5th while traveling with the President, his top economic advisor said no specific federal attention is needed for the severe problems facing this sector, and that we can leave American automobile manufacturers behind while telling thousands of displaced workers that "the overall economy is strong." My message to the President is this: we need you to stand up for our manufacturing employers, not turn your back on them and their workers.

In Michigan, I am continuing to work with our businesses, our unions and other stakeholders to diversify our economy. We have recently enacted an economic growth package that will invest more than \$2 billion to create thousands of new jobs and invest in key job growth areas.

As elected officials, we have a responsibility to protect working families from the negative consequences of globalization. Given a level playing field, Michigan businesses and workers can compete and win in a global marketplace. But our federal government must be our partners in making sure American manufacturing is not disadvantaged in our new economic reality. From Lansing to Washington, DC, together we can pursue a strategy that sustains a healthy manufacturing economy. I urge all Members of Congress to examine the impacts of America's manufacturing competitiveness on the families and communities you represent, and to join with other concerned Members to support near-term actions that will protect working families while allowing our manufacturers to compete – and win – in the global marketplace.

Testimony of Carol Cottrell, Mayor of the City of Saginaw, Michigan

I am writing on behalf of the Saginaw County Community, which has many Delphi Plants at two complexes; Delphi Steering located in Buena Vista and one in the City Limits of Saginaw, Michigan. Delphi is Saginaw County's largest employer with over 6, 800 workers in Saginaw County and is the largest taxpayer.

Our community had made a conscious decision to support Delphi's presence in Saginaw County and has encouraged Delphi to craft a reorganization plan that is fair to workers, while allowing the company to emerge from bankruptcy as a fiscally healthy and competitive business.

Saginaw County has had a very long and positive relationship with Delphi. Simply put, we appreciate the employment that GM and since 1999, Delphi, have provided generations of area workers. We are hopeful that Delphi finds a way to remain in Saginaw County and consider expansion opportunities here.

We have the world's best workforce in Saginaw County; one where labor and management have cooperated to find ways to improve their product, their employee morale and productivity levels. We are proud of the commitment of our UAW Delphi employees in Saginaw County.

What can Congress do? Please begin to take more aggressive action to control skyrocketing health care costs that add so much to the cost of an American made car. Prescription costs are out of control and there is no end in sight. A key area of focus is in catastrophic illness and end of life care. These areas alone place a major burden on companies such as Delphi, which cover much of the medical insurance costs of its retirees.

Over-regulation and tort reforms are also needed if we are to be competitive globally. Regulation on foreign currency is also needed as well as elimination of illegal tariffs that prevent our products from being competitive. These necessary changes are needed not only to assist the auto industry, but will help business in general.

Thousands of Delphi workers nationally will be seeking employment and it will be critical that there are funds made available for training and retraining this workforce. Communities will also be impacted in lost revenues. Programs will be needed to assist distressed communities so that they are able to transition their economies into growth areas.

We truly appreciate your interest and support and look forward to working with you in the upcoming months.

Testimony of Timothy W. Herman, President & CEO, Genesee Area Focus Council, Inc, Flint, Michigan

Flint and Genesee County, Michigan, are the proud home of GM and Delphi facilities with combined employment of over 17,000. These facilities house vehicle assembly, engine production, metal fabrication, component production, tool building and more. Changes in market, product, and other factors will strongly influence the future of these facilities. With that in mind, area business, government, and community leaders are working closely together to identify and deliver potential new services and incentives that contribute to the ongoing competitiveness of these facilities. Local leaders recognize that, in order to be successful, manufacturing facilities must have cutting-edge technology, incumbent workforce training, and competitive tax structure.

Greater Flint offers many strengths. Among them are: 1) outstanding transportation options via the country's second fastest growing regional airport; 2) efficient freight access via the airport, three freeways, and two railroads; 3) strong workforce productivity and skills; and, 4) world-recognized engineering and technician education programs through four institutions of higher education. GM and Delphi represent a critical economic impact in our community through employment, investment, purchasing, and other factors. Additionally, GM and Delphi are important members of our business community, providing leadership on economic development, education, and other community-wide initiatives.

Creating a competitive advantage for advanced manufacturing is the key to unlocking value added employment and preserving middle class jobs in Flint/Genesee County. Strategies relying on outdated manufacturing processes and obsolete products will divert the community's attention and resources away from future job growth.

Testimony of Mayor Michael J. O'Brien, City of Warren, Ohio

I want to congratulate Congressman Tim Ryan on sponsoring this very important E-hearing. Congressman Ryan enjoys the full support of all our local officials on this critical matter. Delphi serves as a major source of our communities' lifeblood. Generations of Warren's residents have used their incomparable work ethic to put out a quality product that is second to none in the world. Delphi has an impact that seeps into every facet of our local economy. Citizens realize that we must spare no effort to maintain the presence of this vital industry in this area. Our city

government stands ready to help in any way. The loss of Delphi would be devastating to our City, and the ripple effect on our economy would be extraordinary. Let me share a few facts:

- 10,000 people are employed by Delphi and General Motors in the Mahoning Valley. The Income tax from Delphi alone results in the amount of \$1.4 million dollars. With an already struggling economy in Northeast Ohio, any additional loss of revenue would be devastating to the City of Warren.

These facts are truly sobering, but all stories in the final analysis are human stories. Families will be torn apart, houses will be lost, and folks will not be able to find healthcare. We have seen the scars of losing major industries in the past. They are long in healing. As Mayor, I will take whatever steps, that are in my power, to keep this company operating here. Together, with common respect, we can all work to avoid this terrible tragedy.

I cannot close without mentioning the tremendous capacity of our local workforce. We came from a proud heritage. People took pride in their duties and made sure their work was the best. They still feel that way today. I know that when the worker is given even odds. They will never come in second. Let's make sure Delphi remains in our family. Let's make sure our workers have the chance to continue to make their fine product.

Testimony of Mark Finamore, Trustee, Vienna Township, Ohio

URGENT ACTION REQUIRED

Our County's Working Middle Class is facing an insurmountable Crisis of Epic proportion as a result of the Free Trade Policies of our Federal Government.
Our policy of Free Trade is not Fair Trade.

Geopolitical Corporations and the new Globalized economy and workforce is decimating the ranks of this County's middle class and the ability of hardworking Americans to earn a living wage and maintain the standard of living which generations of hard working Americans have attained through our country's industrial and manufacturing superiority and standards of excellence.

Because of our Free Trade policies, American Companies like Delphi and General Motors are being forced to compete with foreign competition on an uneven playing field. Our nations workforce cannot be expected to compete with foreign Competition that does not pay workers a living wage, provide healthcare coverage, pension security, worker's compensation benefits and maintain safe workplaces and environmentally safe manufacturing processes.

You must take immediate action to protect our workforce by enacting Fair Trade Policies which will allow free trade into our country by only Foreign Corporations which pay living wages, provide for the health and safety of their workforce and operate to maintain a safe environment.

Delphi employs approximately 180 hourly workers in Vienna Township and 4800 hourly workers in Trumbull County (Population 215,000) Additionally there are dozens of supply vendors that service the Delphi and GM plants and facilities with everything from production parts, plant maintenance, security, and supplies, and business which are used and patronized by Delphi and GM employees.

If the Delphi and General Motors Plants in our township and County (Vienna Township, Trumbull County) are closed or the workforce reduced in numbers or forced to accept substandard wages and termination of benefits, the effect will devastate the economical viability of our entire community with unemployment and poverty levels never seen before. And if our government lets this happens to two of the largest blue chip America Corporations and large middle class workforce, the dominoe effect will eradicate America's middle-class and the American Dream.

Are you willing to let this happen on your watch?????

Testimony of Marilou Smith, Mayor, Kettering, Ohio

I am pleased to have the opportunity to provide testimony through this unique legislative forum. Clearly the plight of the automotive industry is the most important issue facing the Midwest and one of the many issues America must address.

The Delphi situation is extremely important to the City of Kettering, Ohio and our 57,000 residents. Historically, Delphi began as DELCO – i.e. Dayton Electric Laboratory Company which was started by our namesake Charles Kettering. Delphi has had a proud and successful past in our community and much of our success has been based on a strong Delphi related tax base and the generosity and participation of Delphi employees.

At the present time, Delphi employs over 1700 people in the City of Kettering. Despite various cutbacks, Delphi remains one of our largest employers and a vital part of our community. Delphi and the City have enjoyed a strong positive relationship. The City issued two tax abatements to assist in the location and in the re-tooling of the Delphi operation.

In 2005, the Cities of Kettering, Vandalia, Dayton and Moraine, who host five Delphi plants, agreed to share tax revenues from all Delphi operations in the same ratios which are currently in effect. Hence, we would share equally in whatever impact, gains or losses, Delphi incurs. This unique and innovative agreement is intended to allow Delphi to take whatever steps are best for Delphi and the Delphi workers without concern for local political intervention or concern. As you can see, on the local level, we have taken some bold and aggressive steps. I think this shows our commitment to Delphi and Delphi employees.

In addition to the 1700 people who work in Delphi's Kettering operation, the other Delphi plants in the area employ another 4000 workers. There are probably 15 – 20,000 more people in the area who work for Delphi suppliers or provide services directly to the families of Delphi

employees. Changes at Delphi will affect everyone from machine shop operators to the corner barber shop.

I urge you to do whatever is possible to assist Delphi and assure the continuation of job opportunities for our 1700 Kettering Delphi employees and the 5,700 Delphi employees currently working in Montgomery County. The future of our region is highly dependant on how this vital issue is addressed.

Testimony of Ron Gettelfinger, President International Union, UAW and Richard Shoemaker, Vice President Director, General Motors Department

The crisis in the U.S. auto industry is much bigger than any one company, or even any one industry. It represents a crossroads for our economy and our country. What's at stake is the kind of future we will choose for America and its working families.

The crisis is well-documented. Auto trade deficits continue to climb as more auto jobs are shifted to other countries – recently GM and Ford announced their intentions to double the amount of parts they source from other countries. GM recently announced it will close multiple facilities and slash 30,000 jobs. Ford is also rumored to be planning plant closings and job cuts. Delphi, through the bankruptcy process, is threatening to close plants, eliminate thousands of jobs, and slash wages and benefits for the employees who remain. And many suppliers, including Tower Automotive, Collins & Aikman and Meridian, to name a few, are also in Chapter 11, with workers' jobs and incomes at risk. The U.S. has already lost hundreds of thousands of auto parts job, and we are in serious danger of losing more.

The U.S. automotive manufacturing model is broken.

Some would have us believe that American companies simply can't be competitive with foreign companies, that American workers are greedy, unwilling and unable to compete in the global economy, and that the current path of de-industrialization is necessary as we transition to a service economy. If Delphi CEO Steve Miller's vision is fulfilled, poverty level wages and benefits will be the norm in the auto industry.

We reject those beliefs. With fair trade and a level playing field, American companies and workers can compete in a global economy – not on the basis of poverty-level wages, but on our productivity, quality and capacity for innovation.

Unfortunately, prevailing policies have crippled American manufacturers and undermined workers' competitive efforts. For years we've fought for a comprehensive industrial policy that balances and promotes the interests of American manufacturers and their workers. Instead, what we have is a system that actually creates and permits competitive disadvantages including currency manipulation, unfair trade policies, and an unequal distribution of social costs.

At the root of many of the problems rippling through the parts sector is the market share decline of the Big Three. Some of that decline is simply due to increased competition, but much stems

from an uneven playing field. The Big Three and older suppliers have enormous retiree health costs due to their large number of retirees and an older workforce. This is placing them at a significant competitive disadvantage compared to the Japanese and German transplants that have few retirees in the U.S., as well as auto operations in other countries that have national health care systems. It's estimated that retiree health care and the impact of an older workforce on health costs adds nearly \$1,300 to the cost of each Big Three vehicle.

The UAW has reacted responsibly to this crisis.

At Delphi, our union and the company agreed just last year to a much lower wage structure for new employees, who would be hired as Delphi's business expanded and current workers retired or flowed back to GM.

At GM, our union and retirees stepped up to the plate and negotiated a plan to restructure retiree health care to reduce the cost to the company, while keeping coverage affordable for our retirees. Our active members agreed to give up some of their pay. Our retired members were willing to pay more for their health care.

At auto manufacturers and suppliers alike, our union has been a willing partner, stimulating productivity and efficient work practices.

Unfortunately, the problems faced by the auto industry are bigger than one company or even the industry will be able to solve – they require congressional intervention.

Congress should send a clear message to the U.S. Trade Representative not to tamper with the 25% pickup truck tariff. If a trade deal with Thailand were to eliminate that tariff, over 82,000 UAW jobs would be at risk.

Congress should not further jeopardize the auto industry by imposing burdensome pension funding obligations on older manufacturing companies at a time when they can least afford it.

Congress should enact tax and other incentives to encourage the domestic production of alternative fuel/advanced technology vehicles and their components. Right now, most of the advanced technology vehicles on the market are assembled overseas – and none of their key components are built in this country. If nothing is done in this regard, the University of Michigan has demonstrated that the U.S. will lose 200,000 more automotive jobs as advance vehicles gain a larger share of the market.

Congress should pass legislation targeting unfair currency manipulation in China and Japan. Current practices are giving a significant unfair competitive advantage to producers in those countries, thereby contributing to the loss of auto jobs in the U.S.

Congress should require that all trade agreements have strong, enforceable worker rights protections. This will prevent a race to the bottom.

Congress should act to reform our corporate bankruptcy laws so that companies cannot use Chapter 11 proceedings as a strategy to reject collective bargaining agreements and gut retirees'

pensions and health care benefits. Current law does not promote meaningful negotiations or a proper balancing of interests. Reforms should require good faith bargaining with unions, provide greater protection for wages, pensions and health care benefits, and put more limits on unfair executive compensation schemes.

Congress needs to address the issue of retiree health legacy costs to help level the playing field with the Japanese and German transplants. We see several potential ways to accomplish this, including modifications in the existing TAA health care tax credit, loan guarantees for costs associated with retiree health care costs to make it easier for the auto companies and parts suppliers to finance their retiree health care obligations, and a federal catastrophic reinsurance program. Any such relief should be tied directly to investment in domestic production and employment to insure a vibrant auto manufacturing presence in the U.S.

Finally, we need to continue to work for a comprehensive solution to the nation's health care crisis so that all Americans – working or retired, men, women and children – have access to affordable health care. That is a basic human right, and it is a disgrace that a nation as rich as ours does not provide it.

Testimony of Jim Clark, President, IUE-CWA

My name is Jim Clark and I am president of IUE-CWA, the Industrial Division of the Communications Workers of America. I am privileged to represent 8,500 members at Delphi, nearly 4,000 at General Motors and thousands more who work for other auto parts suppliers and suppliers to those suppliers. I also count myself among the 3,000 Delphi retirees my union represents. I thank the members of the House Committee on Education and Workforce for holding this E-hearing for the IUE-CWA members and many others who are threatened with losing the middle-class lifestyle they have worked so hard to attain.

I know that thousands of workers and retirees have written in with their personal stories about what the Delphi bankruptcy and the struggles at GM mean to them and their families. What I want to focus on is how we got to this point. Our members at Delphi work under oftentimes unpleasant and stressful conditions. For decades, they made Delphi, then part of General Motors, a profitable company. It was their labor that funded the growth of Delphi vast overseas enterprise the same entities that my members are now asked to compete against. Still, for more than 20 years, IUE-CWA has recognized the changing reality of global industrialism. We have worked with the corporation to provide competitive agreements that should have benefited all involved. But instead of making use of those agreements, Delphi has instead continued to redirect profits, encouraged by American tax and trade laws that reward the company for outsourcing jobs and not reinvesting profits made by overseas subsidiaries.

Government policies have encouraged Delphi to consistently make choices on investment, product placement and pricing that hurt the American worker by making U.S. plants more costly to run. And now, today, we sit and watch as our nation bankruptcy laws encourage Delphi to twist the law to win in bankruptcy court what they have not even tried to win at the bargaining table. What you may not know is that when Delphi filed for bankruptcy over a holiday weekend

in early October, the company had never sat down with IUE-CWA at the bargaining table. Delphi had no interest in working toward an amicable and fair agreement outside of court. They knew that in court the odds of them being the inner-takes-all were too great to pass up on.

This is where we are at in today America. The corporations hold all the cards. Too often international corporations are shaking down local governments for deferred taxes, tax abatements and, in some cases, cash payments simply for choosing to do business in a municipality. Meanwhile, the taxpayers are stuck paying the tab for the infrastructure investment necessary to accommodate these plants. As taxpayers, working families are asked to shoulder an increasingly irresponsible burden to keep a factory in the United States. As workers, they are then asked to give up what little they have to keep their own jobs at that factory. At the same time workers are being asked to sacrifice their ability to send their kids to college, Delphi is asking for hundreds of millions of dollars in bonuses and stock options for the management team that drove Delphi into bankruptcy. This is an unsustainable scenario.

Our nation manufacturing sector is at a crossroads. Every manufacturing job creates four other jobs. Manufacturing jobs typically set the bar for wages and benefits that other employers in the community then match. This cycle is what created America's greatest asset: its middle class. But now we are going in reverse. Wages and benefits are falling. The loss of manufacturing jobs means the loss of jobs at suppliers and those servicing the plant. That translates into the loss of taxes and hurts the ability of local governments to provide essential services like education, transportation infrastructure, public safety and so many other services for which they are responsible.

In closing, I ask this Congress not to look at the Delphi bankruptcy as an isolated problem, but as the result of failed economic policies enshrined by U.S. code. Whether it deeply flawed trade agreements, a lack of willingness to take on the World Trade Organization over currency manipulation, bankruptcy laws skewed heavily in corporations favor, tax laws that reward international corporations for not investing in America, or kowtowing to the insurance and pharmaceutical industry by not reigning in the cost of healthcare like other industrialized nations one thing is clear: these failed policies punish the many workers who build this economy, while rewarding the greed of a few who choose to offshore it. These policies must change if America is to maintain our status as the beacon of democracy. If they don't, the light will go out, not only for America but for the world.

Testimony of Bob Roth, UAW Region 1C Director, Flint, Michigan

As Director of Region 1C I've experienced first hand the devastation of the decisions by Gm and Delphi to families and communities. before the first person is laid-off as a result of Gm's announcement we saw hope disappear and fear take control of our members lives.

When Delphi filed for reorganization under chapter eleven again fear took control of our members lives. Fear of the unknown, fear that everything they believed to be safe was yanked from them.

We as Americans put a lot of stock in hope, hope that someday we can retire, someday we can relax and enjoy our last years with some security. GM and Delphi have stripped this hope from the people who have made it possible to drive from one end of this country to the other while our elected leaders have sat on the curb watching the parade of American jobs cross the borders.

We need American leaders to stand up for American workers.

Testimony of Donald E. Blatt, USW Rapid Response Coordinator-District 1, Columbus, Ohio

I am a member of the USW (United Steelworkers) staff that represents the workers of Delphi in Dayton, OH. Since becoming staff, I have been assigned the duties of Rapid Response Coordinator in District 1, which is the entire state of Ohio. The Rapid Response program was started in 1995 has an educational tool to inform our members of legislative issues that directly affect our members in the workplace. These legislative issues could have a positive or negative affect on our members. Unfortunately for the workers in the United States, legislation adopted by the Bush Administration and the Republican controlled Congress have had nothing but a negative impact on our members and all workers.

We have consistently talked to our members about the negative impacts of unfair trade agreements such as NAFTA (the North American Free Trade Agreement), PNTR (Permanent Normal Trade relations with China), CAFTA (the Central America Free Trade Agreement) and the WTO (the World Trade Organization). These types of agreements are what allow corporations such as Delphi to move and outsource their operations to low-wage foreign producers, doing no harm to the corporations but only to the American worker. Ohio has lost over 200,000 manufacturing jobs since the implementation of trade agreements such as these. The manufacturers that do stay are going back to their workers asking for deep cuts in wages, health care, and pensions, just like Delphi has. As these jobs disappear in Ohio and all over the United States it creates pressure and loss of revenue for important federal and state programs, such as Social Security, Medicare, and Medicaid, designed to help the middle class and poor Americans. The loss of tax revenue also jeopardizes services provided in the communities which we live such as police, fire, and the local school systems. Not one trade agreement to date has created a good paying family supportive job for workers involved in any of trade agreements mentioned above, only a dog-eat-dog atmosphere for the American worker and their communities.

We are also educating our members on the bankruptcy laws in the United States. Unfortunately many American workers are experiencing it first hand before they receive the education. The U.S. bankruptcy laws only benefit Corporate America by allowing them to do away with negotiated contracts with workers, defining wages, benefits, and pensions. It only creates more wealth for Corporate Executives, in the name of retention bonuses for the very people who help put the company in bankruptcy. It's an unjust system that encourages companies to rape employee compensation for their labor creating a race to the bottom in wages, benefits, and pensions for American workers, just like Delphi.

The cost of healthcare has been the demise of the family-owned small and medium manufacturer in the United States. The runaway cost of healthcare has cost this country a loss of good paying jobs, and created a new class of the uninsured, while creating wealth for the very few. Manufacturers that want to stay in the United States to produce a product and provide jobs are confronted with only a few undesirable choices. They can make less profit, cut employee wages, have their employees pay more for healthcare which is the same as cutting wages, do away with healthcare benefits for employees, or close down. It also creates an excuse for larger corporations, like Delphi, to move operations to low-wage foreign producers, where healthcare benefits are non-existent. This Administration and this Congress have refused to address the cost of healthcare and its effect on American manufacturing.

Now Congress has proposed HR 2830, The Pension Protection Act of 2005. It has a nice name but has nothing to benefit the American worker. This piece of legislation would “outlaw” early shutdown pensions that benefit hundreds of thousands of workers and the communities that suffer the devastation of a plant closing. It would restrict the use of credit balances; money pre-paid by an employer to cover pension obligations and would freeze pension accruals if the employer lets the pension plan go below 80% funded. It would also require a company that goes into chapter 11 bankruptcies and terminates their pension plan to pay the PBGC a \$1250 premium per participant once the company comes out of bankruptcy. This shifts money to the government that the company uses to pay wages, benefits and improve the company to make it more it more viable or could also cause a company to liquidate. But the “dirty little secret” is that companies will be coming to negotiations saying that they cannot afford a defined benefit pension any longer.

All of the issues that I have submitted in my testimony have created the atmosphere in American Manufacturing resulting in American job loss to low-wage foreign countries. I have been asking the question to as many politicians as I can, how can the loss of American manufacturing be good for the United States? I have yet to receive an answer. Maybe through this e-testimony process somebody could explain it to me.

I would like to thank the committee for allowing me to submit this written testimony.

Testimony of Ronnie Wardrup, USW Staff Representative District 1, United Steelworkers, Hamilton, Ohio

Being Staff Representative for the United Steelworkers – USW (United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial, and Service Workers International Union) Local 87L, I am in a unique position to see first hand the effects and potential effects of the most recent rounds of requested wage and benefit cuts by the Delphi Corporation and Steve Miller from the Sisters and Brothers I am privileged to service.

The requested cuts to our members of the USW are completely out of line and excessive in nature. I believe the \$63.00 figure being thrown around by Mr. Miller doesn't take in to consideration any of the competitive wage structures that the Local Union has been successful in negotiating in good faith with Delphi and are in place now. Additionally I would hope we do not

loose site of the additional cuts and changes in the balance of Delphi and Mr. Miller's demands that are equally damaging to the workers.

Our members are simply looking for fairness. In speaking to many of them they began working at Delphi to make a living for themselves and their families so that they could experience a part of the American dream. That of having a quality of life with a decent paying job so they could put clothes on the backs of their children, food on the table, maintain insurance in the event of illness or injury, have a decent pension so they could retire with dignity, and be in position to save the money to see to it that their children had the opportunity to have continued education. If Mr. Miller gets his way that would be impossible. Our members could very well be in the position not to be able to afford the very products they work to produce. Where is the justice in that? Is the KECP (Key Employee Continuation Plan) plan that Mr. Miller and Delphi has before the Bankruptcy Judge the answer? I think not. How can it be justified to request that kind of money to only the named executives at the same time demanding that the bargaining unit employees give concessions? These are the same employees who have actually produced product.

I've read that Mr. Miller doesn't want to do away with the Employees Pension and that he wants to save it. I beg to differ. It appears to me he wants out from underneath it, period. It matters not to him who has it as long as it is gone from the Delphi name. Does he not realize that this pension was negotiated over the years and our retirees and future retirees are counting on a secure Pension committed to by Delphi through the process of negotiations?

As previously explained, I am the Staff Representative for USW Local Union 87L my wife works for General Motors at the Truck and Bus Group in Kettering, Ohio and is a proud member IUE/CWA. She just found out recently that although her plant is not one of those that are scheduled to close, she has been notified that approximately mid year in 2006 she will be laid off as a result of Company reorganization plans. Please understand that when I look into the eyes of my members who are losing their livelihoods and try to answer their questions of why and what are we going to do, I also look into the eyes of my wife and have to answer the same questions. My answer to them all is to not give up hope and that we have been and will continue to fight to keep not only these but all good and decent jobs in this country and there are friends out there that are fighting the same fight with us.

In today's Dayton Daily News a spokesperson Don Seymour for my Congressman John Boehner from the 8th Congressional District in Ohio said about the online hearing "little more than a political stunt to draw attention away from the first comprehensive pension reform bill our nation has seen in more than a generation". I couldn't disagree more and if he's speaking about HR 2830, "The Pension Protection Act of 2005", this bill falls well short of supplying protection to workers pensions and he needs to go back to the drawing board and start by looking up protection. The name does not fit the Bill.

I'd like express my appreciation to you and your co sponsors for sponsoring this e conference and allowing me to participate. I have to continue to believe that hearing from real people and feeling their pain has to have some kind of positive effect going forward.

Testimony of David McCall, Director, United Steelworkers District 1 Columbus, Ohio

Presented As Part Of the Electronic Hearing Conducted By
House Committee On Education And The Workforce

On behalf, of the approximately 850, 00 members of the United Steel Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (“USW” or “United Steel Workers”), I am pleased to present this statement in connection with the electronic hearing concerning the crisis in the American auto industry. The current crisis in the American auto industry is yet another terrible example of the destruction caused by our government’s failed trade, industrial and health care policies.

The United Steelworkers and its members have borne the brunt of more than two decades of industrial crisis. Since 1998, over 40 steel companies have filed Chapter 11 bankruptcy cases. Nearly 200, 000 Steelworker retirees and surviving spouses have lost retiree insurance coverage as a result of these bankruptcy cases. In response, the USW has been at the center of reshaping the entire American steel industry. It was and remains our goal to restructure the steel industry in a way that protects the employment security of our members and the pension and health care benefits of our retirees, and not simply to restructure debt for the benefit of banks, bondholders or other financial parties. At the same time, dozens of other USW employees in the aluminum, iron ore, foundry, and other industries have filed Chapter 11 cases and tens of thousands of other USW members and retirees have had their livelihoods imperiled by employer conduct. Within District 1 which I represent, a district that covers the entire state of Ohio, some of our largest employers, including LTV Steel, Wheeling-Pittsburgh Steel, WCI Steel, Republic Technologies, and Ormet Aluminum have been in bankruptcy.

Thousands of USW members are directly at risk in the current auto industry crisis. The USW represents workers at bankrupt auto suppliers such as Delphi Corporation (where 1,000 members work at two plants near Dayton, Ohio), Collins & Aikman, Tower Automotive, Meridian Automotive, and others. Some of the local unions have been USW units for decades while other units have come to us through our merges with the United Rubber Workers Union and PACE International Union. While other unions may represent more workers in the auto industry than the USW, the United Steelworkers expects to bring to bear its experience working to restructure the steel industry to consider the future prospects of the segments of the auto supply industry where our members are employed.

Since the case was filed in October 2005, Delphi Corporation’s bankruptcy has been an exercise in corporate excess and crippling short-sightedness. Immediately after filing in bankruptcy, Delphi made bargaining proposals to each of its unions that would have slashed wages by more than half, forced workers to bear unsupportable shares of health insurance costs, terminated pension accruals for current workers, and eliminated the retiree insurance benefits of current and future retirees. At the same time as Delphi’s management sought to impose all of the weight of the restructuring on the backs of its worker and retirees, it pursued bankruptcy court approval for a key employee compensation program that would have dealt nearly \$80 million in combined

value to a small core of top managers. Delphi ignored the corrosive effect that the executive compensation program would have on its hourly work force.

Delphi recently withdrew its initial bargaining proposals and has postponed its own deadlines for asking the Bankruptcy Court in Manhattan for relief from its labor and retiree insurance agreements. While the USW, of course, views Delphi's withdrawal of its initial proposal as a step in the right direction, we will not believe that Delphi's management understands that it need to involve all of its unions in the reorganization of that company until it proves it at the bargaining table. The USW will hold all of the other auto supply sector employees to the same test.

The auto supply industry bankruptcy cases should lead Congress to once again reconsider this country's failed trade policies, policies that have caused spiraling trade deficits and led to the loss of 3 million manufacturing jobs in the period of 2000 through 2004 (a 17% decline). Congress should use this as an opportunity to review our industrial policy (or lack of an industrial policy) to consider means to preserve good paying industrial jobs that are critical to our economy, national defense, and the welfare of our communities. Further, in light of the role that escalating health care cost have played in the troubles of each of these employers, Congress also should use this as an opportunity to debate and pass real health care reform in order to move away from our current inefficient, expensive and inadequate hodge-podge system and toward a system that guarantees coverage to all Americans. Finally, in light of the imperiled pension benefits of hundreds of thousands of Americans, Congress should continue the ongoing debate over pension reform and take more firmly into consideration both the expectation interests of workers and retirees receiving the many forms of negotiated pension benefits (including shutdown pension benefits designed to soften the blow of plant shutdowns) and the bottom-line interests of PBGC in enhancing its liquidity.

In short, while there are factors unique to the auto industry that have contributed to its current problems, from the perspective of the USW, much of the challenge at hand is the result of this country having failed to absorb the hard-learned lessons of several decades of industrial trouble. It is time for Congress to take on this challenge.

Testimony of John Schmitt, Economist, Center for Economic and Policy Research

December 5, 2005

Thank you very much for the opportunity to participate in this innovative E-Hearing on "The American Automobile Industry in Crisis: Threats to Middle-Class Jobs, Wages, Health Care, and Pensions." My name is John Schmitt, and I am an economist specializing in labor-market issues at the Center for Economic and Policy Research in Washington, DC.

I would like to focus my remarks today on the high economic costs that will be paid by laid-off workers at Delphi and General Motors. Through no fault of their own, thousands of workers at these two companies have already or will soon find themselves without jobs. All the available economic data suggest that these workers will face daunting economic challenges, most will see

their standard of living drop substantially and, in some cases, those declines will effectively be permanent.

Every two years, the Bureau of Labor Statistics, together with the Census Bureau, conducts a large-scale, nationally representative survey of "displaced" workers --workers who have lost their jobs as a result of plant closings, downsizing, slack demand, and other reasons (excluding firings for cause). I recently analyzed the most recent version of this Displaced Workers Survey (conducted in January 2004), as well as the preceding five versions of the survey, which together cover over a decade of job displacements from 1991 through 2003. Taken together, the data document large and long-lasting economic costs for laid-off workers, particularly those laid-off from manufacturing jobs. The data also suggest that the economic costs of job loss have been rising in recent years.

The attached tables summarize the economic outcomes of displaced full-time workers over the three-year periods ending in 1994 and 2004, which include the two most recent recessions in 1991 and 2001. The first table presents results for all workers (see panel (a)). Of those displaced between 2001 and 2003, about one in five (21.1 percent) were unemployed in January 2004. About 13.8 percent had dropped out of the labor force. About 7.8 percent of the former full-time workers were now in part-time jobs. Fewer than six-in-ten (57.2 percent) had found a new, full-time job. Even among those workers who had managed to find new, full-time work, two-thirds (66.3 percent) were in a new job that paid less than the one they lost. More than one-third were in jobs that paid 20 percent or more below what they earned at their lost job.

The economic outcomes for workers laid-off from manufacturing jobs, such as those at Delphi and General Motors, were even worse. About 23.0 percent were unemployed; 17.0 percent had left the labor force altogether; only 54.4 percent had managed to find full-time work; and only 60.0 percent were in any kind of a job. Pay cuts were also bigger for manufacturing workers. Almost three quarters (73.2 percent) of those former full-timers who were in a new full-time job had taken a pay cut. Almost 40 percent (39.9 percent) saw their pay drop by 20 percent or more.

The available data therefore suggest that the economic costs facing laid-off workers at Delphi and General Motors will be high in terms of prolonged periods out of the labor force, long spells of unemployment, and significant wage cuts when they do find new jobs. These measures of the cost of job loss from the Displaced Workers Survey are almost certainly conservative since the survey does not allow us to track changes in benefit coverage for health insurance and pensions.

For a more complete analysis of recent trends in job displacement, please consult a copy of my report for the Center for Economic and Policy Research entitled: "The Rise in Job Displacement, 1991-2004: The Crisis in American Manufacturing," which is available at the Center's web site: http://www.cepr.net/publications/labor_markets_2004_08.pdf

**Testimony of William E. Spriggs, Senior Fellow, Economic Policy Institute, and Chairman,
Howard University Economics Department**

Can America Afford the Auto Industry?

Why do some workers get paid more than others?

The standard economic theory is that employees are paid the value of the extra product made by the last worker—economists call this the value marginal product, normally measured as the value of a product made in an hour. So, workers who are very productive, that is they make a lot of products in an hour, or who make a very valuable product, get paid more than less productive workers, or those who make less valuable products.

That theory is used to explain, for instance why auto workers get paid \$27 an hour and lawn care workers get \$7; because auto workers are in a very productive industry, and the value of the product, an automobile, is very high. On the other hand, productivity in landscaping is lower, and the value of the product, a beautiful lawn, isn't as high.

Unfortunately, the cost of hiring workers today is often distorted by including fixed costs that will not increase as new employees are hired. Benefits promised to retired workers are a prime example of such a fixed cost. If all work stopped today, those costs would, nevertheless, remain. So, it would be incorrect accounting to attach those fixed costs to the variable costs of choosing the size and pay of today's workers. It would be no more accurate, for instance, than applying the costs of maintaining plants that have closed as part of the costs of hiring today's workers

For years, the bargaining stance of the UAW was to push for higher wages to keep pace with national productivity gains. Meanwhile the higher productivity of automobile workers compared to the national average was passed on to consumers, keeping the price of cars down. From 1987 to 2003, the U.S. Department of Labor shows that unit labor costs in the motor vehicle parts industry fell by 0.9%; recent history confirms that the wages of automobile parts workers have lagged just slightly behind the growth in their productivity, allowing labor costs to decline slightly. Since July 1999, the motor vehicle production and parts industry has lost about 255,000 jobs. At the same time, the “value added” in that industry, a measure of productivity that corrects for rising costs of inputs, increased by over \$20 billion from 1999 to 2004, adjusting for inflation. Much more is being produced with far fewer workers, resulting in lower total labor costs. That is how we got to where we are today.

Now, a competing wage model is being pushed. The new Delphi idea is that workers' wages should not be connected to the value of their product or to labor productivity. Instead, Delphi's public position is that there are “unskilled” workers who exist with some limitless supply—in Mexico and China—and that the wages of manufacturing workers in the United States should simply reflect that unlimited global supply of undifferentiated workers. There are several problems with that view of setting wages.

First, because the new “Delphi theory” does not relate the value of the products to the work done to produce them, it gives a false signal between the contributions and costs of capital and labor to production. These price signals are key to helping firms understand when they might need to buy new machinery. The “Delphi theory” sends a price signal that makes labor too cheap, and will

stall advancement by discouraging the proper investment in new machines and increased productivity.

Second, by making labor too cheap, it violates another established economic principle: Workers should earn enough to reward investments in their skills, both by their employers and their own investments in what has come to be called “human capital.” Pay teachers less than garbage collectors, and no one wants to invest in the years of schooling it takes to become a teacher.

As it happens, the term “unskilled” is too often used to mean someone without a college education. Modern factory workers are not really “unskilled” because they do physical work—any more than a major league baseball player like the Detroit Tigers’ Rondell White (who hit .313 last year) is “unskilled”—not everyone has factory workers’ skills of concentration, physical dexterity, knowledge of electronics, robots, tools and eye-hand coordination. Lower wages will invariably lead to lower skilled workers taking jobs as automobile workers.

Third, and maybe most importantly, if we do not pay workers based on their productivity, people won’t be able to afford to buy the product. Henry Ford and Walter Reuther both understood that simple truth, and it’s time that Delphi did, too. The full general equilibrium condition for economists is that capital will get paid the value marginal product of capital—a fair return on the investment in the machinery needed to manufacture something-- and that labor will get the value marginal product of labor. The theory is then able to account for how the total output would be fairly divided between capital and labor. Clearly, if labor gets less than its share, the result will be income levels too low to buy all the product—that is, the total value of what is produced will be greater than the income it is generating. This type of wage deflation is dangerous, and characterizes a symptom of the “Japanese trap” of the 1990s, that made the Japanese economy sluggish and weak in responding to efforts to inflate that economy.

If auto workers at Delphi get paid \$10-12 an hour the rest of society will have to subsidize those workers. At \$12 an hour, a worker would earn less than 130% of the federal government’s poverty level for a family of four! This means that other Americans will pay for food stamps and school lunches, housing vouchers, Medicaid and other poverty supplements to sustain the workers at the poverty level.

Of course, a real family budget would be higher. My colleague, Sylvia Allegretto, has estimated the cost of modest housing, a basic diet, child care, transportation, taxes and other expenditures to maintain a family of two parents and two children in over 400 American communities. Her estimate for a family budget in Flint is \$36,420 a year, about twice the federal government poverty line. So, the subsidies that Americans would pay to sustain Delphi workers making \$10-12 an hour would not lift them to the actual basic cost of living in Flint.

When Hurricane Katrina hit New Orleans, many Americans were puzzled about why people were left behind. Why didn’t everyone just drive away in their cars? Wake up, America! If you have to support a family of four on \$10-12 an hour, you might not own a car to drive away in. You are struggling to pay rent and put food on the table.

Delphi's new theory of setting wages will make the American way of life go the way of most of New Orleans. Such a theory must concern all Americans. If America cannot afford automobile workers, then it isn't clear which jobs will be left. Hurricane Delphi will have more victims than Katrina. We have seen victims like them; they are the economic refugees from Latin America trying to reach the American dream. Where will the American refugees go?

Testimony of Sylvia Allegretto, Economist, Economic Policy Institute

After filing for bankruptcy, the Delphi Corporation told the United Auto Workers union (UAW) that it wants to cut wages more than 50 percent and reduce benefits, including health insurance and vacation time. The 33,000 Delphi workers and their families depend on the earnings from their job to make ends meet. The proposed wage of \$10-\$12.50 an hour, down from an average of about \$27 an hour, would therefore impose significant hardship on Delphi workers.

The ability of working families to meet their most basic needs is an important measure of economic stability and well-being. The Basic Family Budget Calculator, derived by the Economic Policy Institute, is an analytical tool that calculates the dollar amount required to adequately afford a safe and decent, yet modest, standard of living in communities throughout the country.¹ The budget items that are included in the basic family budget are: housing, food, child care, transportation, health care, other necessities, and taxes.² These budgets are truly basic. We exclude many expenses that seem essential to a middle class life, including savings for a college education, retirement savings, and the cost of travel or entertainment.

Table 1 displays Basic Family Budgets for 21 communities where UAW Delphi facilities are located. For communities that do not have corresponding family budgets, which are for the most part non-metropolitan statistical areas, we have substituted the basic budget figure for the relevant state's rural areas. These calculations are based on expenses for a family of four: two parents with two children. The last two columns of Table 1 represent annual totals with and without child care expenditures. If only one parent is employed it can be assumed that the other takes care of the children. Where one parent is employed full-time and the second parent is employed full- or part-time the budgets can be adjusted by the child care costs. The expenditures that are listed are what a family can expect to pay if two children are in child care.

A full-time, full-year worker earning Delphi's current wage of \$27 per hour will earn approximately \$56,000 per year--an annual amount that exceeds the basic family budgets for all 21 areas. On average, taking all 21 communities into consideration, an annual income of \$56,000 exceeds the basic budgets by almost \$29,000.

It is clear that a job that pays \$27 per hour enables families to live at a standard that is comfortably above the basic level. By contrast, an hourly wage of \$12 per hour generates an

¹ The EPI Basic Family Budget Calculator along with detailed Technical Documentation of how they were conceptualized and constructed can be found at: http://www.epi.org/content.cfm/datazone_fambud_budget

² Appendix A provides a brief description of each budget item and the restrictions and/or working assumptions employed in the basic family budget calculations

annual income of approximately \$25,000 per year, which is below the basic family budget for 14 of the 21 communities and \$31,000 less than their current income. The shortfall for the 14 communities—almost \$3,700 on average—is likely to cause economic hardship for many of these families. In the other seven communities, the annual earnings from a \$12 hourly wage exceed the basic family budget by, on average, about \$650.

Table 1 Basic Family Budgets for UAW Delphi locations for families with two parents and two children³

Delphi areas:	Monthly Expenses							Annual Totals	
	Housing	Food	Child care	Transport	Health	Other	Taxes	Without Child Care	With Child Care
Grand Rapids, MI	\$ 658	\$ 587	\$ 701	\$ 358	\$ 110	\$ 336	\$ 211	\$ 27,120	\$ 35,532
Livonia, MI	\$ 805	\$ 587	\$ 701	\$ 321	\$ 110	\$ 376	\$ 316	\$ 30,180	\$ 38,592
Kokomo, IN	\$ 589	\$ 587	\$ 847	\$ 375	\$ 110	\$ 318	\$ 264	\$ 26,916	\$ 37,080
Milwaukee, WI	\$ 694	\$ 587	\$ 765	\$ 358	\$ 110	\$ 346	\$ 232	\$ 27,924	\$ 37,104
Saginaw, MI	\$ 560	\$ 587	\$ 701	\$ 324	\$ 110	\$ 310	\$ 156	\$ 24,564	\$ 32,976
Flint, MI	\$ 612	\$ 587	\$ 701	\$ 324	\$ 110	\$ 324	\$ 158	\$ 25,380	\$ 33,792
Dayton, OH	\$ 595	\$ 587	\$ 1,111	\$ 387	\$ 110	\$ 319	\$ 347	\$ 28,140	\$ 41,472
Columbus, OH	\$ 640	\$ 587	\$ 1,111	\$ 358	\$ 110	\$ 331	\$ 358	\$ 28,608	\$ 41,940
Rochester & E. Rochester, NY	\$ 687	\$ 587	\$ 1,195	\$ 358	\$ 110	\$ 344	\$ 360	\$ 29,352	\$ 43,692
Tuscaloosa, AL	\$ 571	\$ 587	\$ 1,047	\$ 375	\$ 110	\$ 313	\$ 392	\$ 28,176	\$ 40,740
Wichita Falls, TX	\$ 538	\$ 587	\$ 720	\$ 375	\$ 110	\$ 304	\$ 65	\$ 23,748	\$ 32,388
Athens, GA	\$ 622	\$ 587	\$ 880	\$ 375	\$ 110	\$ 326	\$ 299	\$ 27,828	\$ 38,388
Anderson, IN	\$ 534	\$ 587	\$ 730	\$ 420	\$ 110	\$ 303	\$ 203	\$ 25,884	\$ 34,644
Lockport, IL	\$ 486	\$ 587	\$ 763	\$ 420	\$ 110	\$ 290	\$ 138	\$ 24,372	\$ 33,528
Sandusky, OH	\$ 514	\$ 587	\$ 747	\$ 420	\$ 110	\$ 297	\$ 151	\$ 24,948	\$ 33,912
Adrian & Coopersville, MI	\$ 514	\$ 587	\$ 586	\$ 420	\$ 110	\$ 297	\$ 85	\$ 24,156	\$ 31,188
Fitzgerald, GA	\$ 486	\$ 587	\$ 592	\$ 420	\$ 110	\$ 290	\$ 125	\$ 24,216	\$ 31,320
Laurel, MD	\$ 1,187	\$ 587	\$ 837	\$ 321	\$ 110	\$ 479	\$ 558	\$ 38,904	\$ 48,948
Olathe, KS	\$ 691	\$ 587	\$ 748	\$ 358	\$ 110	\$ 345	\$ 171	\$ 27,144	\$ 36,120

Appendix A

The following is a brief description of each budget item and the restrictions and/or working assumptions employed for basic family budget calculations:

Housing. Housing costs are based on the Department of Housing and Urban Development's fair market rents (FMRs). FMRs represent 40th percentile rents (shelter rent plus utilities) for privately owned, decent, structurally safe, and sanitary rental housing of a modest (non-luxury) nature with suitable amenities. Rents for two-bedroom apartments were used for families with one or two children, and rents for three-bedroom apartments were used for families with three children (these assumptions were based on HUD guidelines).

³To better represent the budget outlays of Delphi workers, the EPI budgets have been modified slightly; monthly health care expenses are based on a conservative estimate of the outlays an average family of four with the current Delphi health care coverage could expect to pay out of pocket.

Food. Food costs are based on the "low-cost plan" taken from the Department of Agriculture's report, "Official USDA Food Plans: Cost of Food at Home at Four Levels." The USDA food plans represent the amount families need to spend to achieve nutritionally adequate diets.

Transportation. Transportation expenses are based on the costs of owning and operating a car for work and other necessary trips. The National Travel Household Survey is used to derive costs that are based on average miles driven per month by size of the metropolitan statistical or rural area multiplied by the cost-per-mile.

Child care. Child care expenses are based on center-based child care or family child care centers for four and eight year olds, as reported by the Children's Defense Fund.

Health care. Health care expenses are based on a conservative estimate of outlays a family of four could expect to pay out of pocket.

Other necessities. The cost of other necessities includes the cost of clothing, personal care expenses, household supplies, reading materials, school supplies, and other miscellaneous items of necessity from the Consumer Expenditure Survey.

Taxes. Citizens for Tax Justice (CTJ) computed the taxes for tax year 2004. The six line items from above represent after-tax budgets. CTJ determined the amount of tax liability that each after-tax budget would incur. Therefore, the after-tax budget along with the additional tax burden represents the total pre-tax budget. Taxes included federal personal income taxes, federal Social Security and Medicare payroll taxes (direct worker payments only), and state income taxes. Local income or wage taxes were also included. Included in the calculation are federal tax credits for children and the earned-income tax credit.

Testimony of Sheila R. Ronis, Ph.D., The University Group, Inc., President

I want to thank Congressman George Miller for taking the initiative to request information from those in the automotive industry who have been affected by the problems of GM, Ford and Delphi.

Not too long ago, I spoke about the National Security implications of a downturn in the auto industry with the plight of GM, Ford and Delphi to some friends. They said, "What are you talking about? What do the economy and the auto industry have to do with National Security?"

Most Americans equate National Security with military readiness, homeland defense and generally protecting American interests at home and abroad. And they would be partly right.

But, National Security has other dimensions to it, too.

National Security is a broad description of the elements in our society that make it "secure," and that goes much farther than providing for "a common defense." It includes *anything* that adds to the strength of the nation. It's about being strong, economically, diplomatically and militarily.

With the current situation in Iraq and the global war on terrorism, the United States faces many challenges. Some are obvious, such as maintaining and supplying our troops in the field and maintaining security at home.

But some of our country's challenges are not so obvious. One is the erosion of the U.S. industrial base, including the U.S. auto industry, and its national security implications since economic security is national security.

Most people in the U.S. auto industry do not realize that the challenges of global competitiveness and the national security strategy of the United States are related.

General Motors, Ford Motor Co. and the Department of Defense share the same industrial base - from machine tools to electronics. Autos and defense are interdependent elements of the U.S. industrial base. They are part of one system.

With a marketplace demanding cost reductions, the auto industry is becoming so dependent on foreign countries for critical components and systems that it may be losing the ability to design, engineer and even manufacture them itself.

In the long run, we may lose the knowledge and capabilities to make autos and weapon systems or even manage the acquisition process. As manufacturers around the country accelerate the offshore purchases of engineering, manufacturing and software development, the ability to control supply chains for U.S. military production also is disappearing.

As a nation, we need to ask whether a domestic industrial base matters. Globalization is not the enemy. It's the lack of managing it that is problematic. Other nations have found ways to comply with their World Trade Organization obligations without destroying their own industries in the process.

We are not advocating a complete reduction in the globalization of industries. Globalization is essential to facilitate the long-term peace and prosperity of the world at large. The issue is a balance of common-sense policies.

Some critical knowledge and capability to design, engineer and manufacture must remain within the United States, including the auto industry. The nation needs military manufacturing capabilities and what the military calls surge capacity, the ability to use national industrial capabilities in times of war.

Our nation became a hyper-power because we invested in our industries and in R&D. We were innovators, and we made things.

We are rapidly becoming a nation that makes nothing; nor are we investing in R&D anymore. We won World War II and the Cold War because we out-produced and invested more in basic R&D than our enemies and had the knowledge and capability to do it.

The national industrial base, including the auto industry, provides more than jobs. It is critical that the nation maintain the knowledge and capabilities to create autos, planes and so on. Such knowledge and capabilities are almost impossible to replace, and losing them puts the security of the nation at risk.

Intense pressure by Wall Street has encouraged indiscriminate cost-cutting - and, in some cases, criminal accounting practices - just to meet or beat analysts' expectations. This shortsighted mentality sacrifices long-term, strategic decision-making for a short-term win on the Street.

Globalization for its own sake is not viable public policy. Yet it is nearly impossible to separate the national industrial base from the global one and the defense base from the national one. It's all one system.

When we offshore much of our foundry capability to China, for example, it's conceivable that we become dependent on the Chinese for our country's parts as well as the innovation and technology that go along with producing them.

Global purchasing organizations in much of U.S. industry and the military are not looking sufficiently at the newly emerging risks of potential disruption of supply lines.

Economic and political risks are not always calculated by purchasing organizations. Purchasers tend to be rewarded only for getting parts cheaper.

In a global economy, the rules of engagement are different. They can hurt as easily as help. When foreign companies have government assistance, from basic and applied R&D to health care and pensions, U.S. competitiveness is at risk. That can lead to the inability of a U.S. industry, such as autos, to survive.

Both Republicans and Democrats must address this issue. The global competitiveness of the U.S. auto industry is related to the national security of the country. Its problems become national problems requiring national solutions. Dialogue and cooperation between the auto industry and Congress are essential and must accelerate now. If the nation cannot put some balance into its globalization policies and invest in U.S. manufacturing capability, America's ability to lead and be a superpower will be in jeopardy.

The University Group Inc. is a consulting firm on global competitive issues investigating ways to improve the U.S. industrial base as a contractor to the U.S. House Small Business Committee.

**Testimony of Bracken Hendricks
Senior Fellow, Center for American Progress**

**Healthcare for Hybrids:
Rebuilding the Auto Industry, Reinvesting in Workers, and Reducing Dependence on Oil**

I want to thank the Committee and its esteemed members for holding this hearing and for inviting my testimony on what is a tremendous and looming crisis within the US economy. Sustained high gas prices combined with a broken system of health care finance are hurting U.S. automakers badly. The recent bankruptcy at Delphi combined with major layoffs at GM, raise the specter of further financial disruption and job loss across the industry and across America's heartland more broadly. Carmakers are our nation's largest manufacturing industry, and have been a leading source of industrial and economic strength for generations. But today the industry faces profit losses in the billions of dollars and hundreds of thousands of jobs are at risk. GM and Ford – which along with Daimler-Chrysler, make up the Big 3 domestic automakers – recently had their credit ratings downgraded to junk bond status.

The critical question is not *if* the U.S. government will help the auto industry – but *how*. The Pension Benefit Guarantee Corporation, which insures pension funds is dangerously strained with troubles in the airline, steel, and other major US industries. If a major auto company were to enter bankruptcy and default on its pension obligations, it would likely break what little security there is in the system now, and the costs would be felt not only workers who would lose benefits and retirement security, but by all Americans. Congress can't stand by and watch the destruction of one of the most important sectors of our economy. It would be a tremendous loss to our global standing and economic strength, not to mention the hundreds of thousands of workers and families who depend on the industry. But neither should Congress simply give the auto industry a handout while it continues on a path that does not address of mounting economic and security costs from our reliance on oil. Clearly public policy and public investment will be required to ensure an effective transition in the auto industry, but the American people have a right to demand a public return on that investment, in the form of a more competitive industry, domestic job retention, and guaranteed oil savings.

While public investment is warranted, it should not be in the form of a blank check. Any assistance to American auto companies must meet some basic conditions: 1) It must go at the heart of the economic competitiveness issue for US manufacturers addressing the burden of legacy health care costs. 2) it must demand true accountability for reducing US reliance on oil, by creating incentives for domestic manufacture of more fuel efficient and hybrid cars, advanced diesels, increased use of farm based bio-fuels and other solutions to our current energy crisis, further making US automakers more competitive for the future; and 3) It must provide a benefit to taxpayers and workers, by minimizing costs, while driving incentives into US jobs and earnings and an expanded domestic tax base. It is time for Congress to act to provide assistance to the US auto industry, while ensuring that any new investment is used to retool American auto plants and technological investments for the 21st century. This would not merely sustain the industry – it would restore its competitive edge and provide more options for consumers.

The American auto industry faces three significant challenges that are closely related though not often considered together in public debates. Because of the way that health care is financed in this country, U.S. automakers bear a staggering financial burden not shared by competitors, covering legacy and catastrophic health care costs. At the same time, domestic manufacturers continue to lose jobs and market share especially in leading edge advanced technology and energy efficient vehicles. These trends are made more ominous as oil prices skyrocket, turmoil in the Middle East persists, and the threat of global warming looms, creating pressure on the nation to reduce dependence on oil, and on firms to change strategy and diversify their fleets.

Manufacturing retooling incentives to produce hybrid or advanced performance cars in particular are a policy tool that could have a highly beneficial impact on retaining U.S. industrial production and jobs by driving new investment directly into American plants, workers, and capital equipment. These domestic investments would serve to stabilize regional economies and capture the next generation of good jobs in advanced technology for U.S. workers, as plants and products modernize. However, given the difficult financial position of U.S. automakers, there are limits to the effectiveness of constructing strong financial incentives for new investments by offering tax credits to offset corporate income tax liabilities.

It appears increasingly likely, however, that the U.S. auto industry is going to need legacy health care cost relief, either through public intervention or worker concessions and lost retiree benefits, or both. While in Japan these costs are already shared publicly, ensuring a lower cost business climate and more secure benefits for the elderly and infirmed, in the U.S. insufficient attention has been given to the crisis in our health care financing system and the burden that it places on the overall economy. By linking manufacturing incentives to a real and pressing financial incentive for industry, America could actually strengthen our social safety net, improve the health of industry, and reduce our reliance on oil.

Linking a requirement for domestic manufacturing investments in advanced technology vehicles to any future calls for industry relief would go to the heart of U.S. competitiveness in the auto industry, improving the diversity of the product mix, increasing domestic job creation, and addressing problems with the cost structure faced by firms. Relief for retiree catastrophic health care costs for example, would immediately improve the financial position of the Big Three, while leveling the playing field with competitors. In addition, creating stronger incentives for securing domestic production of more efficient vehicles would help diversify product lines and potentially capture greater market share in advanced technologies for U.S. producers. In addition to creating meaningful incentives to drive domestically produced technology to market, an approach linking legacy health care cost relief to deployment of more efficient technology could have additional public benefits by averting the potential dislocation of retirees in the event of bankruptcy, layoffs, or further economic disruption within the industry, and by improving the U.S. auto industry's market positioning by expanding capacity to supply changing markets.

Clearly, there are real near term opportunities to advance legislation that meaningfully addresses the growing threats to American industrial leadership, our nation's energy freedom, and the economic security of workers, retirees, and consumers.

Recognizing the seriousness of legacy health care costs as a burden on U.S. auto industry competitiveness, a program could easily be developed to reduce retiree health care cost burdens of car manufacturers with U.S. production facilities, especially targeting retiree catastrophic health care coverage. Such a plan would help level the playing field for domestic automobile manufacturers when compared to their Asian and European competitors who receive public support for health care and pension obligations. Further, it would avert similar retiree health care cost problems for foreign transplant companies, as they begin to develop more sizeable populations of U.S. autoworker retirees. By helping to establish stronger incentives for domestic production of advanced technology vehicles, this program could also provide significant public benefits in the form of manufacturing job retention and reduced dependence on imported oil. Such a program would represent sound economic, health care, environmental, and security policy, and should be fully compliant with WTO and other trade agreements.

The federal government could play a useful role in strengthening the competitiveness of the auto industry by creating a stop-loss reinsurance pool for retirees of auto companies manufacturing in the U.S. This reinsurance plan could be financed through a trust fund that would defray the costs of retiree health care coverage. This could easily be financed through a one-time appropriation to establish an interest-earning trust fund able to generate income sufficient to sustain a program on an ongoing basis, or through appropriations tied to a fee on excess oil company profits, by tightening loopholes in the tax code that encourage off shore investment, or through a number of other innovative financing mechanisms. In return for this cost relief, automakers would commit to invest in the domestic production of more efficient and advanced technology vehicles, capable of saving over 1 million barrels of oil per day, as has been proposed under a range of domestic manufacturing incentive plans.

The competitive disadvantage for U.S. automakers from the absence of a national strategy on health care financing is becoming increasingly clear. GM faces the largest legacy costs (defined as health care plus pensions for retired workers) at roughly \$1,500 per car. Together, the Big Three automakers support roughly 800,000 retirees and surviving spouses, compared to less than 1,000 for foreign-owned competitors in the United States. Big Three automakers paid total health care expenditures of \$10 billion versus an estimated \$1.6 billion for their competitors in 2003. GM alone provides health coverage for 1.1 million beneficiaries including survivors and dependents. In 2004, GM spent \$5.2 billion on health care, of which two-thirds went to 339,000 retirees¹². Ford spent \$2 billion on retiree health care in 2004, and Chrysler Group spent \$1.3 billion. This is an average of \$650 per vehicle sold. While in Japan, retirees are switched to national health care within two years. That means the Japanese workforce “legacy” costs for Toyota amounted to just 3,000 people. Clearly the lack of a system for addressing the health care needs of American retirees has become a major competitive disadvantage for our economy as a whole, placing U.S. workers in a diminished bargaining position for wages and job security with the rest of the industrialized world, not based on their skills or productivity, but based simply on the way this country finances health care. Targeting retiree health costs offers not only a strong incentive for fuel savings investment, but a real improvement in market structure.

U.S. auto workers are currently at a disadvantage in the global market, not only because domestic manufacturers have unequal legacy cost burdens, but also because American firms are so heavily concentrated in a few segments of the overall vehicle market. Current incentives have

not been sufficient to promote a more diverse product mix or to reclaim market share in small cars or highly efficient vehicles. Establishing incentives that help to expand these markets domestically without increasing outsourcing or creating new competitive disadvantages for U.S. firms and workers will further strengthen the industry.

Because a program of legacy health care cost relief represents a very significant public commitment to strengthen the industry, it is appropriate that the policy incentives come with measures for accountability to make the market more responsive to the broader public benefits of improved oil savings and increased energy conservation. A number of policy mechanisms are available for ensuring these outcomes. Participation in a voluntary stop-loss plan could be linked to guarantees on oil savings, incremental efficiency improvements, or targets for commercializing new technologies like hybrid drive trains and advanced diesel engines. All of these tools are distinct from increasing the national fuel economy standard, and would represent voluntary incentives for moving beyond compliance with existing regulations, independent of any potential changes in the fuel economy standard overall.

Once a federal trust fund is established to provide stop-loss insurance coverage for retiree catastrophic health care expenses, sustained participation in the program could be contingent upon improvements in oil savings, measured against a company's predetermined baseline. One model for such a provision has been outlined by the National Commission on Energy Policy (NCEP). Such an approach ensures that incentives lead to gradual and continuous improvements by insisting that new investments in advanced technology do not result in "backsliding" on oil savings elsewhere in the fleet as new technology comes on line, and creates a guarantee that those firms receiving benefits from the program, in fact reduce oil consumption overall.

This is a voluntary, performance based incentive model, which could supplement the existing program of corporate fuel economy standards. Attention would need to be paid in implementing such a plan to ensure that firms have predictability in this benefit, and aren't adversely impacted by variations in sales across vehicle classes, but this challenge could be managed, and with rising consumer interest in fuel efficient vehicles, such a "pull" approach can help to ensure that new product lines are brought rapidly to market and aggressively marketed by producers. This strategy could be used to offer manufacturers an increasing incentive in the form of catastrophic coverage for retirees with increasing rates of reimbursement that rise along with gains in oil saving, but unlike raising baseline standards, it allows firms to opt in to the program and set the timing and pace of any technology investments based on market forces and their specific business strategy or other concerns.

In the context of legacy cost relief, this incentive model might be applied in the following manner. Upon entering into the voluntary program, firms could qualify for a baseline level of relief tied to the "attachment point" for the stop loss policy, or the dollar value above which catastrophic retiree health costs will be reimbursed. This attachment point offers a convenient mechanism for gradually increasing benefits from the program as broader public goals are achieved. If the trigger for reimbursement on health care costs by the trust fund were set, for example, at \$150,000 per claimant as a baseline level of relief for all participating firms, the program would offer a minimum level of assistance at an estimated 5% of total retiree health coverage costs. This rate of reimbursement could then rise as the manufacturer reached new

benchmarks in oil savings – by lowering the stop loss attachment point – thereby covering an increasingly higher percentage of total costs.

Following on the above example, an attachment point could be lowered to \$75,000 as performance crossed a particular threshold. Reimbursements would then cover roughly 10% of U.S. auto industry retiree health expenses (or \$670 million in 2005). Higher rates of reimbursement could also be set to continue offering higher tiers of benefit for oil saving improvements. Setting the appropriate level of reimbursement, and indexing it to oil savings or domestic investment targets could be overseen by an expert board of governors or a federal administrative agency. At a conservative fixed rate of investment at \$800 million per year, this would offset approximately 10% of retiree catastrophic health care costs, and redirect these funds toward investments in manufacturing conversion to deploy a broad range of fuel saving technology. Over the decade running from model year 2009 to 2018, it would be possible to save about one million barrels of oil per day at the end of 10 years.

Such an incentive based approach offers a number of benefits when compared to traditional approaches for regulating fuel economy. First, the incentive could be calibrated so that the marginal cost of fuel economy gains remained below the size of the legacy cost benefit, ensuring that the economic proposition represented a real incentive for new investment and technology deployment, not an imposed cost on firms. Continuous improvement targets tied to oil savings are also technology neutral, and could be designed to reward either increased fuel economy or increased use of flexible-fuel or alternative fuel vehicles that use less oil by shifting to carbon neutral bio-fuels or other low carbon, non-petroleum fuels. An oil saving incentive linked to legacy cost relief would reward companies for moving beyond compliance with minimum standards, but would also allow greater sensitivity to the impact of timing and product life cycles on a company's investment decisions and profitability.

By using incentives to encourage new investments in fuel saving provisions, this system allows firms to respond to their underlying cost structure, and may facilitate earlier investment in new models. The sustained improvement approach also has the benefit of encouraging each manufacturer to improve against their own performance baseline, and does not disproportionately benefit firms that currently have higher average fuel economies, rewarding all gains for all firms. Further, this approach could be designed to be self regulating, offering an economic disincentive to backsliding, as firms would realize lower levels of legacy cost relief in the event of oil savings decline.

In conclusion, let me restate the key features of this crisis. The auto industry faces mounting pressure from the legacy costs of a broken national system of health care finance, from an underinvestment in cutting edge energy saving technology, and from rising oil prices that show no signs of significant declines in the foreseeable future. Using a program to reinvest in American jobs, retool US plants and retrain workers to participate in the Auto industry of the future, and investing now in a rapid crash program for energy independence centered on a revitalized auto industry just makes sense. It makes sense for taxpayers, workers, the environment, and for our national security, but the time to act is now.

Thank you for your consideration of this testimony, and god-speed to you in this important work.

Bracken Hendricks is co-author of a report on the “Health Care for Hybrids” concept, jointly released by the Breakthrough Institute, the Center for American Progress, and the Natural Resources Defense Council, along with Ted Nordhaus, Roland Hwang, and Nick Shipley. See online at: <http://www.thebreakthrough.org/images/Health_Care_for_Hybrids_white_paper.pdf>

Statement of Rick Wagoner, Chairman and CEO, General Motors



News

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By Rick Wagoner

Since mid-October, General Motors has announced plans to cease production at 12 North American manufacturing facilities and eliminate 30,000 jobs by 2008; trim \$1 billion in net material costs in 2006; and, in cooperation with the United Automobile Workers, reduce GM's retiree health-care liabilities by \$15 billion, or about 25%, for an annualized expense reduction of \$3 billion.

The reason for these dramatic actions is no secret: GM has lost a lot of money in 2005, due to rapidly increasing health-care and raw-material costs, lower sales volumes and a weaker sales mix – essentially, we've sold fewer high-profit SUVs, and more lower-profit cars.

What is less clear is why things turned sour so fast for GM, as well as for other American auto makers and suppliers. To put it another way, why are so many foreign auto makers and suppliers doing well in the United States, while so many U.S.-based auto companies are not?

Despite public perception, the answer is not that foreign auto makers are more productive or offer better-quality or more fuel-efficient vehicles. In this year's Harbour Report, which measures manufacturing productivity, GM plants took three of the top five spots in North America, including first place. In the latest J.D. Power Initial Quality Study, GM's Buick and Cadillac ranked among the top five vehicle brands sold in America, ahead of nameplates like Toyota, Honda, Acura, Nissan, Infiniti and Mercedes-Benz. And GM offers more models that get over 30 miles-per-gallon (highway) than any other auto maker.

In fact, this kind of operating performance makes GM's recent financial performance all the more frustrating. The fact is, we're building the best cars and trucks we've ever built at GM, our products are receiving excellent reviews, and we're running the business in a globally competitive manner. Outside of North America, we're setting sales records. In fact, for the first time in our history, we will sell more cars and trucks this year outside the United States than inside, aided in no small part by our market-leading performance in China.

So why, fundamentally, are GM and the U.S. auto industry struggling right now? Intense competition, for one. The global auto business grows tougher every year, and we accept that. Our

ability to compete has made us the world's number-one auto maker for 74 consecutive years, and we're fighting hard to stay on top.

Beyond that, our performance in the marketplace has not been what we've wanted it to be. While we've been strong in truck sales, we've been weaker in cars, and, yes, the recent surge in gas prices hurt sales. While we've led in technologies like OnStar, we've lagged in others like hybrid vehicles. Rest assured, we're working hard to address the areas where we lag. Simply put, we are committed to doing a better job of designing, building and selling high-quality, high-value cars and trucks that consumers can't wait to buy. No excuses. We will step up our performance in this regard.

But competition and marketplace performance are not the whole story. To fully understand why GM and the U.S. auto industry are struggling right now, we have to understand some of the fundamental challenges facing American manufacturing in general – challenges well beyond the control of any single company.

There are those who ask if manufacturing is still relevant for America. My view: You bet it is! Manufacturing generates two-thirds of America's R&D investment, accounts for three-fourths of our exports, and creates about 15 million American jobs. And the auto industry is a big part of that, accounting for 11% of American manufacturing, and nearly 4% of U.S. GDP. Together, GM, Ford and DaimlerChrysler invest more than \$16 billion in research and development every year – more than any other U.S. industry. And GM, alone, supports more than one million American jobs.

So what are the fundamental challenges facing American manufacturing? One is the spiraling cost of health care in the United States. Last year, GM spent \$5.2 billion on health care for its U.S. employees, retirees and dependents – a staggering \$1,525 for every car and truck we produced. And the figure is going up again this year. Foreign auto makers have just a fraction of these costs, because they have few, if any, U.S. retirees, and in their home countries, their governments fund a much greater portion of employee and retiree health-care costs.

Some argue that we have no one but ourselves to blame for our disproportionately high health-care “legacy costs.” That kind of observation reminds me of the saying about no good deed going unpunished. That argument, while appealing to some, ignores the fact that American auto makers and other traditional manufacturing companies created a social contract with government and labor that raised America's standard of living and provided much of the economic growth of the 20th century. American manufacturers were once held up as good corporate citizens for providing these benefits. Today, we are maligned for our poor judgment in “giving away” such benefits 40 years ago.

Another factor beyond our control is lawsuit abuse. Litigation now costs the U.S. economy more than \$245 billion a year, or more than \$845 per person. That's more than 2% of our gross domestic product. No other country has costs anywhere near this level. And the perverse thing is that, in many cases, the majority of courtroom settlements go to the lawyers and other litigation costs, not to the injured parties.

Another major concern is unfair trading practices, especially Japan's long-term initiatives to artificially weaken the yen. A leading Japanese auto maker reports that for each movement of one yen against the dollar, it gains 20 billion yen in additional profitability – or nearly \$170 million at today's exchange rate. No wonder Japanese auto makers have noted their recent record profits were aided by exchange rates. And no wonder the U.S. trade-balance deficit continues to grow by leaps and bounds.

There are other issues, of course, but my point is this: We at GM have a number of tough challenges that we must and will address on our own – but we also carry some huge costs that our foreign competitors do not share.

Some say we're looking for a bailout. Baloney – we at GM do not want a bailout. What we want – after we take the actions we are taking, in product, technology, cost and every area we're working in our business today – is the chance to compete on a level playing field. It's critical that government leaders, supported by business, unions and all our citizens, forge policy solutions to the issues undercutting American manufacturing competitiveness. We can do this. And we need to do it now.

Mr. Wagoner is chairman and CEO of the General Motors Corporation.

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III. Worker Testimony

Thank you for your time and the opportunity to express to you how important my automotive job has been to me and my family. my first job was with Eaton corporation and when they prepared to move to Mexico in the early eighties I was fortunate to get a good job with general motors. This was the best money this little Alabama girl expected to ever earn, I was so proud of my job I was the best, my goals were to never run a bad part, I was selective as to who relieved me for a bathroom break I was afraid they would run a bad part and I would leave that day feeling bad knowing I did not do my best.then came overtime it was better to work us overtime than to pay benefits for a new hire? Then came injuries, we hurt everyday shoulders, hands ,back, neck, elbows,if it moved it hurt. Then NAFTA the jobs left we try harder...too late they will work for one dollar a hour we can not. CAFTA more jobs gone forever.now china and Korea and other places will work for less what will we do? I am so sad I am disabled now and none would hire me without my union benefits I have nothing. I thank god I had a great union job I could go to work and do a good days work to support my family and I helped raise two great young men on general motors and uaw pay and I pray I can keep my pension under Delphi if not I don't know. Help us help keep America strong we need good uaw auto jobs. Make the car companies be responsible for the people the wore out their bodies like me.or don't let them sell cars here.

Sherrie Watson
Athens, Alabama

I have reached the time in my life when starting over is not an option. I have worked for Delphi for 21 yrs. with the understanding that I would be allowed to retire and live out my life without being a burden on the State or my children.

I know that the bottem line is important, but how can you allow the Corp. to deny the agreements they made with their workers? The "world economy" is not my concern the feeding of my children is.

This Nation has always responded to injustice in other countries quickly and loudly. So why can we not think about the harm we allow in our own nation with our "save the world view" and use a little common sense.

I do not want what I do not deserve, but I would sure like to recieve what I've earned. No retirement, health care etc. My family will join 50,000 others on welfare. While Steve Miller etal enjoy their most important person benefits packages.

Gary A. Law
Decatur, Alabama

I'm a retired GM worker who has severe Rheumatoid Arthritis. I have been taking Humira for it for the last 3 years and if it weren't for this medication, I might be a cripple by now. Now I hear that GM is going to cut our health benefits by 25%. If this happens I don't know how I can afford

to continue taking this medication since it cost \$1,000 @ month. I live on SS and a small pension from GM. I worked "very hard" for GM and I have really appreciated the health benefits that I have enjoyed since my retirement in 1990.

I don't have the answer to the auto industries problems, but they are the same problems that we have in all industries in this country today. I believe that buying foreign products is "very unpatriotic"!!!!!!!!!!!!. I would like to urge ALL retirees and auto workers (if they can afford it) to go out and buy a new "American" car. They are blaming some of their problems on the retirees and this would be a way of making the car makers more profitable. Just a suggestion, but since there are thousands of us auto retirees, it just might help. There is strength in numbers!!!!!!!!!!

Thanks for listening.

Shirley Jones
Clermont, Florida

Thank you for the opportunity to express my feelings on the automobile industry crisis. I am a retired Delphi Kettering Ohio worker. Let me explain what that means. I have worked 12 and 16 hour days for the past 28.6 years to secure a living for my family and a future for myself and my wife in retirement. I used up my good health in getting up every morning, sometimes at 2:30am, suffering Ohio winters to walk into the a plant that had guards at the gates and barbed wire pointing in to keep employees from "escaping". Sounds like a prison doesn't it? I sometimes felt as though it was. But I considered it a fair trade to give up my time and health to raise my family and live the American dream. I paid my taxes to support the local and national governments of this country and I truly believe this is the greatest country in the world.

Delphi Corporation was "created" in order to separate the "parts" manufacturers from the "assembly" workers at GM. This was a grand plan to isolate parts workers whose jobs were being sent to foreign countries. GM knew they could produce these parts much cheaper by exploiting foreign labor markets and escaping labor and environmental laws in this country that were enacted to protect American workers. When GM spun Delphi off the pension plan was under funded by billions of dollars.

I took an early retirement because of health reasons and the fact that Delphi Kettering was offering "incentives" to do so. It seemed like a good thing for me and the plant. After working almost 30 years I was one of the "higher wage earning" people. The union had negotiated new hire plans where younger workers would make less money and have little or no benefits. The theory was that by retiring I could make room for these younger employees. The hope of the union was to help Delphi Kettering survive and prosper. It was the unions plan to gradually negotiate better pay and wages for these people as Delphi's bottom line improved.

This brings be to the present. GM/Delphi has snookered their employees, local and national government and the union. I retired in order to move to a better climate. I was unfortunately involved in a car wreck shortly after retiring and moving to Florida. I have two disc hernias and a fused disc resulting from the car accident. I have had asthma my entire life and it was

exasperated by living in Ohio and enduring the harsh winters. I have several other medical problems and am now disabled from working. For almost 30 years of my life I was promised by my employer I would draw a pension.

I can't start my life over and just "work" myself out of this unfortunate position. I am 54 years old with medical problems that prevent me from doing so. I was never lazy nor have I ever asked for a handout from anyone. All I am asking is that Congress demand that GM/Delphi live up to their obligations. Don't let them dump their obligations on my fellow tax paying, hard working Americans. Don't let them do this while maintaining their foreign interest built with the hard work that I and thousands of fellow Americans have made possible over a lifetime. Thank you for allowing me to express my heart felt thoughts.

Roger N. Smith
Hernando, Florida

Ladies and Gentlemen, my name is John and I've worked with GM/Delphi for 29 years. I once had long hair and was as the song says was "like a rock". But today, I'm no longer that young man that came to work everyday, working towards a 30 year commitment, in return for a retirement. Today, I'm 57, but feel 87. My hair has thinned, (what's left of it), my joints are stiff, I have diabetes and everything associated with it. (high blood pressure, loss of vision, and heart disease). I'm told now that the reason I can't get into my truck, without scraping my head on the overhead...or twist to see if a car is coming before I pull out, is a condition they refer to as DSH or DISH. (My vertebrae has fused together, into one solid bone.) Long story short...I'm too old and broken down for most companies to take a chance on me. I know Steve Miller isn't the cause of the Delphi dilemma, but neither am I or the Americans I work with. An unlevelled playing field with third world countries is the cause of our and America's problem. You ladies and Gentlemen must do something to stop the erosion of jobs. As Steve Miller says even if we go to \$12 an hour and give him everything else he wants, we still can't save 2/3 of the jobs. "They all will end up in China in 2-3 yrs." And globalization is the culprit. Well, one question...name me one job, other than Railroad, Trucking, Longshoreman, Wal-mart Clerk, and oh..Politics that is safe from the \$3 per day or even an hour...pay scale. What job is there that can compete with those third world wages? None. Not even you that are Lawyers or Doctors can compete with someone willing to service the public at \$10 a office visit. Without your help, I will lose about everything and there's not enough time or youth left in me, to start over again. I pray that you wise ladies and gentlemen will prevent the Delphi's of the world from raping the promises of 30 yrs of promised pension funds and along with those the dreams of all us broken down Americans. Thanks for your time.

John Warren
Fitzgerald, Georgia

My name is Bick Lesser and I took an early retirement from Delphi Packard in June of 2001 from a position in upper middle management, after spending over 30 years with the company in various engineering and operations assignments in Warren, Ohio; El Paso, TX; Portugal; Korea;

Laredo, TX; and Foley, Alabama. Even though I was not ready to quit working, I took the early Packard retirement, in good faith, with the understanding that by doing so I would be helping the company improve its competitive and financial positions. I then consulted with another company for three years before taking a full retirement at the beginning of this year.

My wife and I have (as have other Packard retirees) established our retirement lifestyle based on the Packard pension that was committed to us and on withdrawals from our 401K. A reduction in either of these income streams will seriously compromise our ability to meet our financial obligations.

Unfortunately for my wife and I (as is also the case for many other Delphi employees and retirees), we were holding a significant number of DPH shares in our 401K and in other accounts when Delphi filed for Chapter 11. We had continued investing in the company because we were encouraged to do so by the company, we believed the annual reports on the tremendous inroads being made into non-automotive businesses, and we believed in the integrity of the company and its accounting system (which I had always been assured is world class)...

R. Bick Lesser
Island Park, Idaho

Today marks the two week mark, two weeks before Christmas. I'm not worried about this Christmas, the presents are wrapped and under the tree for my family. Next Christmas is the one that concerns me, will we be able to afford anything at all? I wonder if I will still be living here then, how will I pay college tuition for my son, he's a senior in high school and he's been accepted at Purdue, but will I have to tell him we don't have the money for college. I've worked 20 years thinking all alone I'd have a pension some day when I retired, now I know that's not going to be the case. We built a new home two years ago but I can't stay here if my wages are cut 60%. Who among you wouldn't be extremely worried if you found out your pension would not be there and your wages were being cut 60%? I know you make alot more than me but you would still be worried because your life would change dramatically. Even worse go ahead and imagine your wages were cut from what you're making now to a measly \$9.00 an hour. You know I love it that I live in a country that helps other countries in need, right now I'm asking you to help us. I'm not asking for a handout, I'm only asking for what I've been getting for the past 20 years, an honest and fair wage. When you look at how much we have made for Delphi (which is obvious by the bonus' upper managment is receiving) it's unbelievable that this is happening to us. Thank-you for your time.

Susanna Mote
Russiaville, Indiana

The auto job has been good to use for years, but when we has to sent two kids to collage that hurt us much more then we thought.

Had to file a Chapter 13. Now we may have to pay for insurance and they may be closing the factory that I work in. If they do we may lose our house. I hope something can be done to help the peoples how work in auto jobs. We are not the only one that are in money trouble.

Jerry Jenkins

Mount Washington, Kentucky

How can I describe the potential loss of my job at Delphi? Devastating to my family, my community.

And the pay cut, if my plant does not close, or they don't eliminate my position in maintenance? 1970 wages in 2005? Impossible. No health insurance, no retirement, after 28 years of service. No Justice. Can I tell you how all this loss will affect my life and that of my family - I am not sure, but it won't be good. We will probably be able to keep the roof over our head, and not much else.

This country is currently steeped in capitalism. Where will the profits come from when the middle class are too poor to purchase the few products that are still made in this country?

Where will the tax money to run the governments (city, state, federal) come from when there are no autoworkers to pay them?

In WWII, The US's production capability helped turn the tide of the war. We are sending our ability to produce overseas - doesn't that affect our national security?

Private industry declares bankruptcy, and the federal government becomes responsible for their mismanagement - Welfare reform is on the Republican agenda - let's start by eliminating this form of corporate welfare.

I am all for "free trade" - I understand that we must bring up the standard of living in other countries by purchasing their products, but lets level the playing field. Tarriffs in other countries that make our products too costly for their people to purchase are not free trade. Government subsidies to keep the price of those same products low so they can flood our market is not free trade.

Frank Neveau Jr

Bay City, Michigan

If Delphi cuts what I receive as a pension, I won't be able to make ends meet. They (Delphi) forced me into retirement and I only receive a pension for 19.8 years, they wouldn't even give me back the time they owed me. Delphi put me out on total permanent disability and social security keeps denying me for benefits from them. I have nerve damage in both arms, both legs, spinal fusion at the L-4-L-6 lumbar, two wrist surgeries, two surgeries on my foot, 1 ankle surgery, one shoulder surgery and two blown discs in my neck that they say they can't operate on...the pain

would be the same or worse, then there are the surgeries they wanted to do that I said no to, I had enough as it is!

And people say we get paid too much! I would rather not have all of the health issues listed and be able to do things again. My health was and is to great a price that I already paid and for what?! To get a partial pension and turned down from social security which I paid into since I was 16.

Delphi and GM treats us like this and then give the high ranks a million plus bonus! Put them out on assembly lines in the parts plants and see how long they last and who are the ones that are overpaid!

Laura Rick
Breckenridge, Michigan

My name is Karie Huntley and I am employed by Delphi where I have worked for 23+ years. I am a member of UAW Local 651 in Flint, MI.

I was a single mother from the time my sons were 3 and 6 years old. My youngest son was born with a rare congenital health condition which has required maintenance drugs, doctors and specialists, and more hospitals stays than most people have in a lifetime.

Working for Delphi enabled me to be able to raise my sons and provide for their health needs. I would not have been able to do that on the wages and benefits proposed by the company now.

My situation now has changed. I am a skilled trades employee, as I thought that their would be more job security in learning a skill. I thought the sacrifices my family and I endured during the apprenticeship would be well worth it. Now, the company wants to slap me in the face with the wages they want to pay for the skill I worked so hard for. They want to rob me of the dignity I have. I am still a single Mom but my boys are older. My youngest still needs prescription drugs to sustain his life and monitoring by doctors. He is doing well and attending college. With the cuts the company is proposing, I don't know how I will be able to pay my house payment, utilities and insurance and cover health care costs for my family, not to mention college.

I might add I live a very modest lifestyle without the "toys" so many others enjoy. I am able to provide for our needs and there's not much left over to save for retirement (after all the company wants to take the pension I have earned, too) or any other unseen needs.

My family and I have made many sacrifices for Delphi. After all I have given this is how they want to repay a loyal, hardworking employee. It is immoral and unethical and it should be illegal.

I, as well as many others, are counting on the lawmakers of this Great Country to do the right thing, not just for us but for generations to come.

God Bless America

Karie Huntley
Burton, Michigan

First and foremost, let me personally thank you for opening this e-hearing to gain the prospective of the automobile industry worker.

I have worked for General Motors for almost 10 years, and was a contract employee for GM for approximately 3 yrs prior the being hired "GM". Like many who have expressed their concerns in this forum, GM is my life and I am proud to serve as a loyal employee, and hope to continue to do so until retirement, if there will a be one.

The loss of healthcare benefits and potential lower pay will prove to be devastating to my family. My wife has had several serious health conditions develop in the past 3 years. Even with the GM provided Blue Cross, I estimate we have paid out-of-pocket over \$10,000 for medical procedures and prescription drugs that were NOT covered by the insurance this year alone. I cannot imagine what will happen if GM is forced to reduce healthcare benefits any further.

For us, this year was a serious financial blow to our savings; particularly because my wife has been unable to consistently work over the past years due to her condition, and has only recently gained part-time employment with no benefits offered.

If we were to lose healthcare, and suffer a reduction in pay, we would certainly face financial ruin (Bankruptcy), as will many GM and Delphi employees in similar situations. The US auto industry is an important asset, not only to the middle class dream, but also to the security of our nation. Ask yourself one question: What would the outcome of WWII look like without a strong MFG base and with companies like GM? Given the troubled world and uncertain times we live in it only emphasizes the importance of a strong US MFG base.

NAFTA must be revisited - the USA has become a dumping ground for overseas MFG'd goods, by companies whose loyalty is another nation, with the sole purpose of making and taking the majority of profits abroad. This includes the foreign MFG's that have 'transplanted' themselves to the USA. Yes, they may provide jobs for a few, but their contribution to the GNP can hold a candle to those of the domestic MFG's. As a result, these companies do not serve in the best interest of the USA or its citizens for the long term.

Karl Burnside
Clio, Michigan

I am a high school graduate. I have approximately two years of college. I have taught Sunday school, coached; little league, Odyssey of the Mind and soccer (30 seasons).I have had some of my writing published. I have two books ready for the publisher, which my stepson is illustrating.

I am a Delphi Flint East employee in Michigan, with 29 years seniority. I have never been late. I bring my lunch. I have an excellent attendance record. I have never been reprimanded. I have a commendation in my file. I respect my supervisor. I am the rule not the exception.

Unknown to me, I have been exposed to PCB's asbestos, smoke, solvents, lead and hundreds of chemicals every day of my employment. I now suffer with bronchi/lung problems as a result of four months acute exposure to PCB's, a highly regulated chemical. My Lung specialist told me to get an attorney. The company says that the exposure did not harm me; they claim the PCB's only cause skin acne. I have a workman's compensation case pending. Without medical coverage what will I do? How will I pay for my breathing machine, inhalers and blood pressure medicine? They never told me that I would be exposed to hazardous chemicals. Who wants to hire a forty-nine year old with lung problems? I do not smoke, use drugs or drink. I do not waste my money on expensive activities like bowling or golf. I pay my bills promptly and in full each month. I pay my taxes on time. I watch the nightly news. I read the paper and vote in every election.

I have six children in school. My eldest son is in Medical school. Another son is studying Air Traffic Control at the University of North Dakota. My youngest son is a freshman in college. We adopted our foster daughter who is in the fifth grade. I have a stepdaughter in nursing school (RN). One stepson is an electrical apprentice. How will I help with tuition without a job?

All of my children lives I have encouraged them to do their best to achieve their goals. I promised that I would do everything in my power to support their efforts. After 29 years of dedication and hard work, the greedy selfish and insufferable stockholders are moving our jobs to communist China. How is it that the government endorses that, when we fight in Iraq? What are we fighting for again? How will I pay my bills without a decent wage? I fulfilled my part of the bargain, now its Delphi's turn to keep their end of the contract.

PLEASE We need you to put into place laws that unconditionally and loophole free protect our pensions. We need you to protect our jobs. We elected you to serve the people not corporate America. What are you doing to rectify the Delphi situation? I respectfully remind you that you are elected.

June Coen-Hewitt

Columbiaville, Michigan

I am taking this opportunity to write you in regard to the automobile manufacturing of our country. My husband Charles Glasstetter worked for thirty two and a half years for general motors. The conditions that were in the plants where he was employed were not a good place for anyone. It was dirty and the steel dust from the metals were in his eyes, his clothing, white t-shirts in the hot summer time were rusty colored from the perspiration and would not wash out.

The pension that he receives ,we believe that he is entitled to. He certainly could have worked somewhere else and probably have made more money. The benefits were why he stayed there for as long as he did.

What is happening with our jobs being taken by other countries for the cheap labor force will eventually destroy the middle class.

We raised three children on one paycheck because Charles worked every hour of overtime so that I could be a stay at home mom. All three are good hard workers, never drawn out of any welfare system.

My job was to be a help mate to see that we had good moral values plus all the work that comes with keeping a home that my children could be proud to bring their friends home and know that someone would be there for them.

To even have to worry about our health care and pension for the corporate greed that seems to be taking place is beyond us.

Please, please, stop the outsourcing of our jobs and keep our benefits that have been earned.

Mr. and Mrs. Charles Glasstetter and Family
Fenton, Michigan

I am an active employee of Delphi Flint; I will have 33 years of seniority in January 2006. My son will be starting his last year of college at Central Michigan, the real question is will he finish it there or have to come home and try to finish at Mott Community College.

My wife and I own our home, but the real question is for how long will we be able to afford it? If our pensions are turned over to the Guaranty Pension Benefit Corporation, our health care pared if not abandoned, medical coverage rising almost monthly, utilities and gasoline on the rise, as well as taxes (obviously those who are left to pay taxes will have to pay even more), the chances of keeping our home become more and more remote.

We lease three vehicles, two of which will most assuredly have to go back if a 60% cut in wages are made. Luckily we haven't invested in a boat, summer cottage, or winter get-away. The cost of college has seen to that.

What scares me most is that I am fortunate compared to some of my friends and co-workers. As I see it if Delphi is allowed to open the door as a test case for the auto-manufacturing companies to shrug off their promises and dessert America Flint and many other cities in Michigan may as well fold up. Surely just with the amount of Financed vehicles and mortgaged house through GMAC that will have to be returned or foreclosed on will turn that property into a sea of debt. If GM is looking to sell that portion of the business, I'm not sure they'll be able to give it away.

I should think that no less than three area auto dealerships would close within a year of Delphi's escapement, not to mention countless other businesses. Our republican friends should realize that businesses need customers more than they need tax cuts; one is no help without the other.

Most of us can live without air conditioning in the summer, but the cost of heating will become unaffordable. There will be no one left to help those in need because there will be more in need than those who can help.

The only way to stop this race-to-the-bottom is for Congress to act now! We cannot let America become a third world nation, which is where this all will lead if we don't stop it now!

Larry Mathews
Flint, Michigan

Sense the news of Delphi wages cuts and plant closing news, we have again found our home with many restless nights. I find it so sad that one person can cause so much pain and do so much damage and let go home that am sure is clean by other people, maintain by other people, eating meals made by others and sleep in a nice soft bed with no troubles.

My husband has worked 30 years for this company. I have seen him going to work when he should have stayed home, the only time he has taking off besides the holidays was the birth our our children and then sadly the day his parents past away, when mine past and when my brothers also past. Then there was the murder of our son, how he wanted to go to the trial, he took one day off and that was for the sentence of our son killer.

The health insurance thank heavens we found help for our other children to deal with all the sudden deaths in less than two years, in one year alone with in just five months of their brother murder they would loss a set of grandparents. We don't know what to do if the health care is taking from us.

Then the wage cuts! How can this happen in American where you are hired for a wage earn raises and then with a one ink pen all the hard work is taken from you. Sadly no one is thinking, if we earn less that means we spend less. I know we have talked about how to cut down on birthdays, Christmas, and anniversaries. Then we have to figure out how to pay for our home, gas and water for it also insurance for it on top of car care and insurance. Then there's grocery's for six people that live here. Will these prices also be cut so we can afford them?

Sadly, the one thing that not only my family has talked about but others what about the charities? Such as the Red Cross, Old News Boys and others? With the people of the auto industry being cut of wages if not fire sadly the first thing off the list will be charities, so more people hurt by the big shot with all the power! What will his man and judge do? Get in their cars head for home that's maintain by someone else, sit in a nice warm home with no worry about to pay for the heat or lights, enjoying how clean is house is because someone was hired to clean it, going to a meal most likely cooked by someone else, get up while someone takes care of the dish's and cleans up, then climbing into a nice clean, warm bed. And dreams of the next company to close down.

I pray that Congress helps us with this and stands up for the people that have voted them into the office they hold. If not then I hope that the union please send everyone the name of the ones that felt it to unimportant to help fight to save not only my husband and other auto jobs but with all

the little business that will close,because with less money means less movies,shopping and eating out. Welcome to the New Death Valley...made by G.M/Delphi

Ronnie C Woods
Flint, Michigan

I have read the testimonies posted by many of my fellow manufacturing employees, and I am truly saddened by the circumstances that these most patriotic citizens must now face due to the mismanagement of our corporate and government leaders. Even though I am not yet currently affected by the current corporate attacks on U.S. Delphi employees, as a manufacturing employee, I am certain that it is only a matter of time before I have to make the some tough decisions. These will decisions will most certainly affect my abilities to provide for either a college education for my children, or health care costs for my wife and myself. I most assuredly won't be able to do both, and as long as I am physically able to work I suppose that I will continue to do so, as any type of retirement situation will simply not be affordable.

I, however, am going to approach this subject from the slightly different angle of national security. As we have lost much of our capacity in the ability to mill steel in this country, much due to the greed of corporate and government leaders moving that capacity overseas in order to increase profit (see the Steve Miller Delphi plan) We are now importing much of the steel used to produce American warships. I am left to wonder if the next generation HMVEE/Jeep may be produced by a non-American manufacturer.

History records Franklin Roosevelt's drive to create the "Arsenal of Democracy" during WWII and the effects the American worker and their abilities to manufacture military hardware had on the outcome of that war. If it weren't for the grit of the American worker we would have been seeing the likes of Toyota and Mercedes a lot sooner than we have, however the owners manuals would not be printed in english. We should not forget that these two corporations are the same that provided the war making capacity of our enemies. I'll invite you to dig slightly deeper in to this piece of history, and what you find may surprise you. It was the great labor leader Walter P. Ruether that initially envisioned the "Arsenal of Democracy". Ruether knew that if the American worker were given the time, tools and a livable wage that great things could be accomplished. The American manufacturing workers are the ones that produced the equipment and materials required to fight a large-scale war effort. Henry Ford, who was convinced that the government and labor were conspiring to take over his factories, did not exactly go into the war effort as enthusiastically as we have been led to believe. Ruether persisted, knowing that it was the abilities of the American manufacturing worker; particularly the automotive workers, that would be the most major factor in deciding the outcome of WWII. Ruther made his message clear to Roosevelt and it was soon after that that the manufacture of planes, tanks, jeeps and artillery pieces were being produced on the same assembly lines that once produced cars, trucks and farm equipment...

Steven R. Long
Holly, Michigan

Obviously, Flint, Michigan is a GM town... it is its birthplace. I grew up in Flint during the "Happy Days." I graduated in 1965 and went to work at AC Spark Plug on Dort Highway in August of that year. It was a good-paying job (I doubled the wage I earned as a cashier at a Hamady Brothers grocery store) that had good benefits. Today, that facility is slated to close under the Delphi bankruptcy plan.

During my childhood, I can recall sitting on the front porch of our Mason St. home at shift change watching the autoworkers from Chevy-in-the-Hole speeding up the street, an endless stream of cars and trucks headed home after a long, tedious day. Today, that factory is closed and demolished.

I recall going "downtown" during my middle and high school years – a thriving place anchored by Smith-Bridgemans and a variety of other quality retail establishments. I can remember Charles Stewart Mott pulling up to Smith-Bridgemans in his Chevy Corvair, greeting and being greeted by the shoppers and employees – a man close to his community. His Mott Foundation still contributes, to this day. I've been to the Sloan Museum, the DeWaters Art Center, the Longway Planetarium and other sites within the Flint Cultural Center. The cultural center was built at a time when GM executives were an integral part of our community. They endowed us with these and other gifts that made our community richer than most in the country. Today, the downtown district is a shell of its former self. Today, GM execs live in the elite suburbs that are centrally located to many of the Michigan operations. They don't have to move as they get their ticket punched at the various plants or administrative offices but they are removed from the communities that provide the rank-and-file workers.

I remember during the Seventies when it was difficult finding a parking spot in the lot at Flint Chevy Metal Fab, my place of employment since 1967. We had over 5,000 members working then. Now we're down to 1,800 and management is looking to reduce further. Our Local 659 membership once exceeded 22,000. Now it's down to 4,000. This reduction in good-paying manufacturing jobs has affected our local economy and charitable institutions. It has been documented that one GM job generates six jobs in the community. The reduction at our local union alone accounts for over 100,000 job losses. Our local charities, the United Way, the American Red Cross, the Old Newsboys... all suffer from these job losses because autoworkers are generous supporters of these institutions.

Now I'm worried. I'm contemplating retirement soon but I'm concerned about the future of my pension and my healthcare benefits. I have worked for forty years to earn that promised pension and benefit package but the moral obligation demonstrated by the corporation in the past is threatened by unimpeded Wall Street greed and an administration that believes that pension and benefit cuts and outsourcing are good for this country.

Charlie Ross
Linden, Michigan

I am a 58 year old single woman with incurable cancer and I am an auto worker. Everyday, I go to work and it is a real challenge. However, I follow the Lance Armstrong way of life and want

to remain responsible for my self and not have to rely on the government to pick up the bills I will create if I don't have a good wage and good benefits.

For me it means loosing the house I worked 30 years to purchase. Though a meager one, it is near nature and helpf me through some hard times. If I have to sell it , it creates yet another house on the market with all the others that will be affected by these extreme cuts. I will have to sell my car and again someone will have to pick up that bill. I will no longer have any buying power. It seems to me that the economy will tumble to darkness with all the rest of us.

As for my health care. Now, I have alot of medical bills even with my insurance but I do everything I can to "give back." I work with the Lance Armstong foundation and ride with Lance everyyear even though I have 5 tumors in my lungs. I feel working and being around my work buddies helps me metally and physically . I work with others and try and help them to reach the wnderful place of being thankful to be able to help and laugh and enjoy the time we have left. My supervisors love for me to come to work. They say I inspire others and they use me to say "if she can do it, so can you. I work so very very hard that when I get home it is often hard to get up the stairs with my lunch box but the feeling of pride, hope and the idea that i can life my life as independantly as possible and help others to do the same is worth everything. So many people would be on medical assistance if they were not cheered on and shown that they CAN do it. But we can only do it with a good job, good benefits and the knowledge that their is hope that we can life the rest of our life in our own homes. That the world is not colapsing around us. Why would a company cut the benefits that we NEED to live whether healthy or not healthy. Cut the work out center, the schooling, free lawyers and let us pay for those IF we need or want them NOT the benefits and job that not only keep us going but keep America going.

Please stop and think what this shows our youth how far any governement or company can be trusted. What will we do when millions have no buying power, live on the streets, resrt to steeling to feed their children. I honestly head someone say they would just rob a bank.

I am truly worried not only about my ability to take care of myself, my Mother etc but the rest of the people. It will become one big ASTRO DOME that reaches from west to east, from North to south. Please, lets get back to taking care of ourselves also and I believe, saving America.

Linda Freeman
Kansas City, Missouri

My name is Karen Heuston and I am writing this letter on behalf of my spouse, myself, and our 4 children. Kevin has been an employee of Delphi for over 14yrs. Delphi has allowed Kevin, being the sole supporter, too take care of his family of 6. This plant is very important to the community, providing a benefit package allowing us to take care of our families. The health benefits has been a blessing to my family, all covered through Delphi. I am unable to work due to an ongoing illness which requires regular medical attention. I thank God for the coverage I have through Delphi and would be either very sick or deceased without it. We are not wealthy people, but would be in financial ruin if something were to happen to Delphi's New Brunswick plant. Many families will be greatly affected if this plant closes or our pay and/or health benefit

package is greatly reduced. On behalf of the Heuston family, we ask that you consider other avenues to save this company without hurting its employees.

Mrs. Kevin Heuston
Edison, New Jersey

I would like to take this time to write an email to express my concerns about the recent filing of bankruptcy by Delphi Automotive Systems. I have currently been at Delphi for six years and would like to think I could work at Delphi for the remainder of my working life. I was hired into Delphi in November of 1999, and have been permanently laid off twice since 1999. In the last contract that the UAW negotiated with Delphi, I was finally granted job security, that I could not be permanently laid off again, but do to the current circumstances I may be in the same position once again, fearing the loss of my job. Do to the current situation my husband have put our home on the market and have tried to terminate our vehicle lease with GMAC, to soften our monthly burden, but GMAC will not agree to work with us. We, are just the beginning of the fall in this area once Delphi declares its workers 12/hr and others may lose their jobs this will affect other area businesses which will continue to be a domino effect in the area. Delphi and GM are what keeps this area alive . Companies are already complaining about their losses due to the Delphi workers spending. What will happen if we do drop to the low wages and others lose their jobs it will cause the domino affect I previously mentioned.

My husband and I have three children we were just blessed with a baby girl one week after Delphi filed. This brings our family to a newborn, a three years old, and a ten years old to care for and would like to make sure that their life is comfortable and happy. There are not any jobs in this area besides Delphi and GM that would support a family, so we are looking to move else where. This will cause child support for the 10 year old and the separation of a family. I know it is our decision to have children, but its is also our responsibility as parents to make sure they are cared for. If I do not work then this is an impossible for us to accomplish our duty as parents to our three children.

I feel Delphi is setting the stage for every company in the USA to write off their agreed upon responsibilities. At what point is the government going to step in and penalize these companies for moving abroad? It is crippling to the middle class of this country. History shows what happens to all great powers when the gap becomes to large between the classes. I would hope this country did not allow history to repeat itself.

Cynthia Niemi
Warren, Ohio

Hi my name is Jim Mariano, I work at Delphi Packard Electric. I've worked there 33.5 years. I started in 1972 as an AHP on a conveyor and I've advanced to the apprenticeship and became a journey man tool and die maker in 1983. Having worked at PE. For 33 years I have seen quite a few changes, the company asked for and got a two tier wage concession, a return of 40 hours of

paid vacation, a 24 hour continuous run agreement and profit sharing and additional medical coverage in lieu of wages.

Since the spin off in 1999 there were two contract negotiations ,and at no time were we ever told that the company was in financial difficulties. We were also told that part of the wages that we didn't receive were to go into our retirement fund.

We as employees have been lied to and deceived. When Delphi went public, many of bought into the lie , now we have stock that is worth less than postage stamps and if Miller and the boys get there way those stocks might be reissued and the money I spent in good faith will be gone. My stake in this is 500 shares.

I'm 63, do I retire and take a chance that the pension I was promised will still be there , or do I keep working and force the Company to lay off the younger employees?

Recently I've read that one shouldn't rely on a pension, isn't that what a pension is for? How can the Government let these companies claim a pension fund and under fund it? I guess the answer lies in the fact that the same government also under funds Social Security.

Jim Mariano
Cortland, Ohio

I retired from Delphi Packard Electric in Warren, OH. After 30 years of service, I stand to lose everything I've worked for and be forced to live at a near-poverty level.

I blame NAFTA, GATT and everyone who buys foreign vehicles, including those made in the USA. But, most of all, I blame "corporate greed" and all the politicians who continue to allow it. I just love the way Delphi wants to reward it's top exec's with millions of dollars for a job so well-done that they had to file for bankruptcy protection. The oil companies rub our noses in it by posting billions in profit and telling us they're not gouging and you guys don't do a damn thing about it.

Mexico is controlled by a few ultra-rich families and I fear the USA is going to be just like them, only we'll be controlled by big corporations, with most of us as peons.

Think about this scenario very hard for a minute - President Bush calls all you guys together for a meeting and announces that in order to help ease the national debt, every one of you is going to take a 60% cut in pay, your hospitalization coverage will be severely reduced and any retirement income is questionable. How would you feel? What would you feel? What would you do?

If GM and Delphi are permitted to do what they want, this entire region of Ohio will be devastated. One thing is for sure, Delphi won't be the only one filing for bankruptcy protection around here.

Mr. Dana A. Johnson
Hubbard, Ohio

I am a single mother with 2 children. I have been employed at Delphi Packard for 34 yrs. On my wages I am putting both of my daughters through college so that they can get the education that Mr. Miller says we need to give our children. I was looking forward to my retirement in 2007 when my youngest daughter graduated from college but if Delphi has its way neither of those things are going to happen. How am I supposed to send my children to college when at the proposed wages I will not even be able to keep my house.

My father sister and brother also work for Delphi. I have always told my children they could never even consider buying anything other than a GM car because they fed, clothed and educated them. I have 3 GM cars in my driveway right now. I have worked hard for 34 yrs for this company and I feel betrayed. I kept my end of the deal and I think it is wrong that Delphi can just walk away from their promises to us.

Debra Pahon
Niles, Ohio

I am a second generation Delphi worker. My father was fortunate enough to be able to retire in 1999 under GM with 34 years of service. He proudly offered me a chance to work at GM when his social security number was drawn in the "lottery" in 1994. He was proud of his job and honored to be able to give his daughter a chance to raise her family in the same way that he did. I am sad to say, I'm not so sure how proud either of us are anymore.

In 1995, I became a tool and die apprentice at Delphi. I worked hard and sacrificed to successfully graduate to journeyman in 2000. Again, I was proud of my accomplishments and excited about the possibilities for the future for my family. Since the bankruptcy announcement in October, not only does my future seem dark but my children are even darker. I was fortunate enough to be able to stay in the area where both my husband and I were born. (My mother-in-law was also a GM retiree). I cannot say the same for my children. I know that the opportunities in this area are few for the next generation but I didn't dream that I would have to leave too. I have been job searching for the past several weeks and I realize that jobs are out there...just not here in this area. It saddens me to see the company that my father worked so hard for all those years just to raise a family would back stab all of its employees for what? To fatten the wallets of the corporate executives who do not care? I still take pride in my job and my abilities and I thank Delphi for the opportunity to learn what I have. I take comfort in the fact that Mr. Miller could not do my job. I, however, could not do his either because he and I are two different types of people. I am a working wife and mother with character, ethics and pride. Mr. Miller? Well, I don't know exactly how he can look at himself in the mirror.

Michelle Fabrizio
Warren, Ohio

I have been with Delphi Packard for almost 34 years. They want us to take a 60% cut in pay. I have always tried to live within my means. My life is based on my salary of \$52,000 a year. They want to drop my wages to \$19,000 a year. I am the main bread winner in my family . I

went to a pay analyst to see how I was to live on this cut in pay. Here is what I was told to do: I am now able to be subsidized with food stamps and other poverty supplements. I can never vote yes for any new taxes for schools or tax levies for the city or state My tax base for these local supports will cause much infrastructure in our community Will have to try to sell my home or let them foreclose along with this there will be no: home improvement stores, paint stores, carpet stores, furniture stores, carpenters or remodeling , roofers, plumbers stores or any other store associated with home owner ship.

Will have to sell my GM car since I can no longer afford that payment either. I will also take a loss on this. Will have to go down to one car cannot afford insurance on both. No apartments in my new price range allow pets so I will have to get rid of my pets of 10 years. The pool supply store will also lose my business because I will no longer have that. Local restaurants were we eat on Fridays are a thing of the past. No dry cleaning. No department stores (local thrift shop will have to do)

No cable company

No cell phone company

No breakfasts at local restaurants

Eye glasses at Dollar store and no eye care

No dental care- no going unless it is a emergency

No birthday cakes from local bakery

No birthdays or holidays for our family

Never had nor will ever have any hope for a vacation

No savings or hope to set anything aside for retirement

No shopping at local clothes and shoe store

No chain grocery stores only bargain discount ones

No service for autos at local dealers, less for oil company with gas on one car

Never ever buying a new car

Never giving to charity, looking to find it for us

Never helping fundraiser's

Less taxes paid into social security and medicare.

I have given almost 34 years of service to this company. I am only 52 years and I thought I would have many years to work and pay off my home and put some money away for my retirement. How does a government allow a company to take money we made for them to invest overseas than file a bankruptcy on American operations? Our labor gave them the money to make that oversea investment and there is enough money there to keep us all afloat. Congress is letting them use this bankruptcy as a way out of labor contracts and taking away our pensions. Our labor and the give backs we have given over the years is what let them CEO's walk into those salary's. They knew all about our company when they bought us. I am not a legacy cost I paid my dues in the years I have. I started at \$4.75 hour some 33 years ago and I have put in my time to have these wages. How would you like your salary, your retirement, your life insurance and medical benefits all wiped away from you? Go with out your home, pets, car and the salary you put in 33 years to get? Not only do my family and I suffer but every person I come in contact in my community and government will also. We are not unskilled labor we are the back bones of our community's and our wages help everyone else make better money with the dollars we put in

our community's. We can not let this happen it is not the PBG that should be owning up to us it is the company and all their investments that should count as all for one and one for all. Don't let this happen to us. You have the power to step up and do something. I ask you as a citizen who has always paid my own way without handout please let me continue. Thank you for your time.

Kenneth Ondash
Youngstown, Ohio

November 21, 2005 they announced my plant will "cease production of the Chevy Trailblazer EXT and the GMC Envoy XL". Last week, we were told our last day of production would be "on or around February 6, 2005". Merry Christmas!!!

I have worked for General Motors for over 26 years at the Oklahoma City Assembly Plant. I started when I was 21 years old. I have four children, one in college, one in high school and 2 in elementary. I had hoped to provide for my children's education and one day retire from GM with a good pension and benefits. That seems more and more less likely.

The Auto industry, GM in particular, has downsized itself into near bankruptcy, with little accountability to anyone. They continue to point their finger at the assembly worker as the source of our troubled industry. Nothing could be farther from the truth.

It is obvious to everyone that their problems stem from a lack of vision and leadership at the top levels, and a lack of vision when it comes to car designs.

I am genuinely concerned that when I retire, there may not be any pension left. I have given my entire adult life to this company, including my health. Carpal Tunnel and other repetitive trauma injuries have plagued me for years. GM's way of expressing gratitude is to "close", "idle", or "cease production" of my plant.

It's time, the Federal Government, and Congress in particular investigate why GM continues to downsize and close facilities, when the "foreign transplants" such as Toyota, expand their workforce and build new assembly plants. Something is wrong!! It's the responsibility of Congress to find out.

Keith Fife
Oklahoma City, Oklahoma

Pensions in the automotive manufacturing and related parts industries are deferred wages. Thus they are called legacy liabilities. By definition they are not gifts, bequests or something received from an ancestor or predecessor, they have been earned by many years of hard labor. Underfunded pensions in bankrupt companies are now fighting other creditors. One thing is clear, pension obligations were in force long before any other creditor.

If the bankrupt Delphi's CEO Steve Miller can propose giving 10% equity in the new Delphi to executives. He can then also make our pension fund whole with an equity share equal to the underfunding.

Monies that should have funded our pensions were diverted to buy and expand the business. Thereby these assets are considered property of the pension fund. And so, the hourly employee pension fund has first claim to these assets.

Proposed executive incentives over and above their excessive salaries to retain key personnel is an obscene raid on estate assets. According to CEO Miller the executives at Delphi haven't received raises in four years, yet none of them have considered leaving Delphi.

On the other hand, businesses that supply key materials for the continued operations at Delphi are ordered by the court to continue without being paid.

Using this same logic, the court can order all key employees to continue working at Delphi.

Finally, to give American industry a level playing field, we must have national health care.

Jonathan Karmelita
Hermitage, Pennsylvania

Eleven years ago and even to this day, I am the most blessed person on earth, the opportunity that Delphi has given me and my family has and still is a god sent. it has allowed me to own my first house at age 41, paid for me to go to college, though I have not finished, allowed me to go to the dentist, the eye doctor, let me spend time with my dying father this year without worrying that I would not have a job to come back too. I can go to the doctor when I am sick and even get my prescriptions filled something I had not done in years before Delphi hired me. and I cried when I got my first paycheck and could buy food glorious food! before Delphi, I went hungry many times so my daughter could eat, worked 3 minimum wage jobs so I could live in a fairly decent neighborhood so she could go to a good school and she could have food and go to the doctor. I had to ask my family for help with her prescriptions because she has asthma. I have a car that is not bungee cord down to hold the trunk down because the lock has rusted away, I can have heat in the winter and the defroster works, I can afford to get it fixed when it breaks down and now has a cd player! if I loose my job at 47 years old, I and many of my co workers will probably have to go back to multiple minimum wage jobs, no health care, no dental, vision, go hungry and no more decent cars. and I don't live above means. cost of living and services have skyrocketed. I remember when the mills closed here and men committed suicide, divorces were everywhere, well et me tell you, that has started here with even just the talk of us losing our jobs. please consider we are honest, hard working, tax paying citizens whose only crime is that we work in the auto industry. if we loose our jobs, who will support America?

Anna Maldonado
West Middlesex, Pennsylvania

I hired into General Motors [Cadillac Motor Car Division] on September 27 1976 and for the next 21 years I felt that I had a great job with excellent pay and benefits including one of the best retirement deals on earth. On the day before Thanksgiving 1997 my life nearly ended, On that day I suffered a major heart attack. Due to the damage to my heart I was forced to go on a disability retirement, With only 21 years seniority I was not due a full pension, I also receive social security. We have been able to squeak by most months on what money we receive. Now General Motors wants to make us pay for some of our health care, plus double the copay on our medicine [I need 20 medications daily]. I also suffer from Diabetes and anxiety which is made worse by stress. [Like worrying how I am going to pay for my meds and other health care]. Being on a fixed income I wonder how we are supposed to pay for this new deal? I would like to know why retirees like myself could not vote on these changes. Thanks for reading this.

P.S. You working folks that passed this new deal need to remember you could be in my shoes someday!!!!

Kenneth J. Warren
Chapel Hill, Tennessee

My husband retired from General Motors Corporation after 30 years on their assembly line. Working manual labor those 30+ years; hundreds of hours of overtime and at the end of his career had his first work accident at the Arlington, Texas plant leaving him paralyzed from the neck down for several days where he suffered a head injury and was informed by the neurosurgeon that he was lucky to be alive. He regained full use of his body (leaving nerve damage in both arms) and retired 5 years ago. Now both shoulders (with pins & screws inserted because they are worn out) and his neck (with a titanium plate) due to the accident at General Motors has been operated on. Then Prostrate Cancer was found and he underwent surgery again. In remission for three years the cancer came back and he recently completed 36 radiation treatments.

I retired from a municipal job in 2002 (they deleted my position) & have had to undergo neck surgery with donated bone and titanium plate, two wrist surgeries because of numb hands from 30+ years working on a computer; and now must undergo double knee replacements. Last year that municipal city deleted insurance offered to retirees. Thank goodness I was covered under the General Motors Health Plan.

When I called GM and Fidelity about their financial problems & retirees benefits I was instructed to go to the web site that the government has to look up what we might be making if it happens but no one could or would tell me anything. That site is the one where companies file bankruptcy and the government takes over their pension plans.

Is corporate America developing its own Social Security plan through bad business decisions or tactics that involve ridding themselves of any responsibility to employees? Employees have/had a life long verbal agreement from those same corporations regarding pensions and benefits. Now what do those individuals do? We can't go out and get gainful employment due to health problems; we can't apply for insurance due to pre-existing health conditions and we have no voice in what happens to our benefits and pensions that were repeatedly promised to us. If we

take an early withdrawal out of my 401K to pay bills or living expenses we are taxed 25+% and we can't afford to pay that amount. I know numerous families who are looking at or in dire times due to the actions of Delta, Northwest, GM and other companies taking the same action. Some already had their pensions cut in half, paychecks cut by over \$4.00 an hour but we can't reduce our house payment or electric bill just because someone decides to reduce or eliminate our pensions or require us to pay more for health benefits. Look at the number of bankruptcies; look at the current corporate world...please. What is going to happen to us?

Bob and Sharon Ellington
Granbury, Texas

I am 55 years old and am currently on a Labor leaders leave from my facility, the organization I work for is not providing my with health insurance and so I am insured as I have been for years on my husbands policy, we are both employees of Delphi. He had to retire from Delphi when his kidneys failed and he went on Dialysis 3 times a week. One year ago he got a kidney but we still have large bills for the overages that insurance and Medicaid don't pay. He health has and does get better given the level of stress he is under. He still can not work and is very afraid that his pension and benefits will be cancelled by the plans of Delphi and General Motors. At 55 years of age doing the type of work I do I to have concerns, I have asthma developed late in life and although it can't be proved it started when Delhi changed it's processes in our plan, even if I were able to go back it would be a deadly situation for me to work in. What are we supposed to do at 62 and 55 with health concerns and our pensions threatened? Ours isn't the worse case, but we would loose our house and our savings have already been depleted due to high medical bills. It is clear to us as it should be to a lot of people that these companies care more for their salaried employees than those of us who have worked to make them the money, buy the cars and do the work. Someone should care about us as well, thank God for the UAW! If there were ever a time when we know the value of being union members it is now!

Sheila D. Cochran
Milwaukee, Wisconsin

IV. Closing Statement

Closing Statement by Congressman George Miller (D-CA), Ranking Democratic Member Committee on Education and the Workforce

In December 2005, we heard from hundreds of witnesses across the country about how diminished wages, reduced health benefits, pension cuts, and layoffs would affect Delphi Corporation and General Motors workers, their families and communities.

Delphi and GM workers and retirees shared with us their pride in their work, telling stories of long hours despite often dangerous working environments and missed time with loved ones. They told us of their loyalty to GM vehicles, sometimes not even allowing foreign-made cars into their driveways. They told us, with pride, of the thousands of dollars in charitable funds they and their co-workers contributed to Hurricane Katrina victims.

Now, these same folks face reduced health care coverage at a time when they are coping with illnesses caused by the hard physical labor of their work. They face drastically reduced pay at a time when they are putting their children through college. They face pension reductions at a time when they are living on fixed incomes. They face layoffs at a time when they are going through personal financial hardships, possibly pushing them into bankruptcy.

The effects of the crisis in the U.S. automobile industry extend beyond workers and retirees. Entire communities are harmed when family-supporting jobs are eliminate or sent overseas. Drastic pay cuts mean families have less to spend at their neighborhood stores. The severe erosion of our industrial base poses risks to our long-term national security.

To add insult to injury, statistics show that laid-off workers experience prolonged periods out of work and, later, significant wage cuts. The Center for Economic and Policy Research testified that most workers in manufacturing industries do not fully recover from job displacement. Data from the Bureau of Labor Statistics show that of those displaced between 2001 and 2003, about 34.9 percent were unemployed or had dropped out of the workforce in January 2004. Fewer than 57.2 percent had found a new, full-time job. Two-thirds of these workers were in a new full-time job that paid less than the one they lost. This middle class squeeze must be addressed.

I thank all of the witnesses who participated in this e-hearing. Your testimony has provided a clear statement to Congress: act now to help hard-working Americans. We must fight to restore the economic stability that Americans deserve.